

SE Forge Limited
Financial Statements for the year ended March 31, 2010
Together with Auditors' Report

Auditors' Report

To

The Members of SE Forge Limited

1. We have audited the attached Balance Sheet of SE Forge Limited ('the Company') as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) ('CARO') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
- a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
 - b) in the case of the profit and loss account, of the loss for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. Batliboi & Co.
Firm Registration No.: 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No.:89802

Place: Pune
Date: May 18, 2010

Annexure referred to in paragraph 3 of our report of even date

Re: SE Forge Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals.
- (b) The procedures of physical verification of inventory followed by management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii)(a) As informed, the Company has not granted/taken any loans, secured or unsecured to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clauses 4(iii) (a) to (g) of the CARO are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the company.
- (v) (a) According to the information and explanations provided by management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

- (b) In respect of transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public and hence clause 4 (vi) of the CARO is not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company. Accordingly, clause 4(viii) of CARO is not applicable.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it. Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
The Customs Act, 1962	Duties of customs being export duties on procurement of goods from any place in India (outside a Special Economic Zone) to a Special Economic Zone in India	5,326,985	May 2008 to October 2008	High Court of Madras

- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year. Accordingly, clause 4(x) of CARO is not applicable.
- (xi) Based on our audit procedures and as per the information and explanations given by management, we are of the opinion that *the Company has defaulted in repayment of dues to banks in the following cases.*

Particulars of the Dues	Amount of default (in Rs.)	Period of default (days)
Term loans principal amount	305,080,000	7-50
Term loans interest amount	361,522,688	2-34
Additional Interest charged by PNB (disputed during the period accepted before balance sheet date)	5,247,487	90

In respect of the "term loans principal amount", the company has, subsequent to the balance sheet date, paid installments for the quarter ended March 31, 2010 amounting to Rs. 21,740,000 (included in the table above).

The company is disputing interest of Rs. 3,233,216 charged by one of the banks and accordingly we are unable to comment as to whether the company has defaulted on repayment of this interest. The gross amount under dispute was Rs. 8,480,703 of which the company has accepted Rs.5,247,487 and the balance amount of Rs 3,233,216 is in dispute.

In respect of the "term loans principal amount", the company has not paid installments for the quarter ended March 31, 2010 amounting to Rs. 65,240,000 (included in the table above) as the company had filed application with the banks to defer the repayment of the principal portion.

The Company has no outstanding dues in respect of a financial institution or debenture holders.

- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence, clause 4(xii) of the CARO is not applicable.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, clause 4(xiii) of the CARO is not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the CARO is not applicable.

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Hence, clause 4(xv) of the CARO is not applicable.
- (xvi) Based on information and explanations given to us by management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to the parties or companies covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, clause 4(xviii) of the CARO is not applicable.
- (xix) The Company did not have any outstanding debentures during the year. Hence, clause 4(xix) of the CARO is not applicable.
- (xx) The company has not raised any money through public issue. Accordingly, clause 4(xx) of the CARO is not applicable.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. Batliboi & Co.
Firm Registration No.: 301003E
Chartered Accountants

per Arvind Sethi
Partner
Membership No.: 89802

Place: Pune
Date: May 18, 2010

SE FORGE LIMITED
Balance Sheet as at March 31, 2010
 (All amounts in Rupees unless otherwise stated)

	Particulars	SCHEDULE	As at March 31, 2010	As at March 31, 2009
I.	<u>SOURCES OF FUNDS</u>			
	1. Shareholders' Funds			
	(a) Share capital	A	2,412,541,250	2,412,541,250
	(b) Reserves and surplus	B	3,435,967,613	3,435,967,613
			5,848,508,863	5,848,508,863
	2. Loan Funds			
	(a) Secured loans	C	5,117,153,725	3,880,615,991
	(b) Unsecured loans	D	899,000,437	937,770,617
			6,016,154,162	4,818,386,608
	3. Deferred Tax Liability [See schedule 'O', note 11]		-	19,066,872
	TOTAL		11,864,663,025	10,685,962,343
II.	<u>APPLICATION OF FUNDS</u>			
	1. Fixed Assets			
	Gross block	E	8,739,983,670	7,218,003,868
	Less: Accumulated depreciation/amortisation		602,681,916	182,020,184
	Net block		8,137,301,754	7,035,983,684
	Capital work-in-progress including capital advances		649,250,460	1,789,922,549
			8,786,552,214	8,825,906,233
	2. Investments	F	20,000	20,000
	3. Current Assets, Loans and Advances	G		
	(a) Inventories		968,022,248	1,156,443,342
	(b) Sundry debtors		434,301,146	112,867,570
	(c) Cash and bank balances		562,386,056	1,110,009,340
	(d) Other current assets		-	-
	(e) Loans and advances		141,842,990	138,740,930
			2,106,552,440	2,518,061,182
	Less : Current Liabilities and Provisions	H		
	(a) Current liabilities		846,696,249	1,246,424,043
	(b) Provisions		14,815,251	6,443,650
			861,511,500	1,252,867,693
	Net Current (Liabilities)/Assets		1,245,040,940	1,265,193,489
	4. Profit and Loss Account		1,833,049,871	594,842,621
	TOTAL		11,864,663,025	10,685,962,343
	Significant accounting policies and notes to accounts	O		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For S. R. Batliboi & Co.
 Firm Registration No. 301003E
 Chartered Accountants

For and on behalf of the Board of Directors of SE Forge
 Limited

per Arvind Sethi
 Partner
 M.No. 89802

Vinod R. Tanti
 Director

Kirti J. Vagadia
 Director

Geetanjali V. Godse
 Company Secretary

Place: Mumbai
 Date: May 18, 2010

Place: Mumbai
 Date: May 18, 2010

SE FORGE LIMITED
Profit and Loss account for the year ended March 31, 2010
 (All amounts in Rupees unless otherwise stated)

Particulars	SCHEDULE	Year Ended March 31, 2010	Year Ended March 31, 2009
<i>INCOME</i>			
Sales	I	1,041,098,609	171,823,730
Other income	J	39,341,462	70,875,043
		1,080,440,071	242,698,773
<i>EXPENDITURE</i>			
Cost of goods sold	K	597,015,250	35,213,551
Operating and other expenses	L	475,179,822	319,342,715
Employees' remuneration and benefits	M	213,393,220	83,063,462
Finance charges	N	633,469,163	157,031,019
Depreciation/amortisation		418,524,170	175,675,378
TOTAL		2,337,581,625	770,326,124
LOSS BEFORE TAX		(1,257,141,554)	(527,627,351)
Provision for tax			
Current tax		-	-
Deferred tax [See Schedule 'O', Note 11]		(19,066,872)	19,066,872
Fringe benefit tax		132,568	1,677,099
NET LOSS		(1,238,207,250)	(548,371,322)
Balance brought forward from previous year		(594,842,621)	(85,825,648)
Exchange differences of earlier years capitalised to fixed assets [Net of depreciation Rs. Nil and tax Rs. Nil]		-	39,354,349
Deficit carried to balance sheet		(1,833,049,871)	(594,842,621)
Earnings/(Loss) Per Share [See schedule 'O', note 5]			
Basic/diluted earnings per share (in Rs.) [Nominal value of shares- Rs. 10 (Rs.10)]		(5.13)	(3.53)
Significant accounting policies and notes to accounts	O		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date

For S. R. Batliboi & Co.
 Firm Registration No. 301003E
 Chartered Accountants

For and on behalf of the Board of Directors of SE Forge
 Limited

per Arvind Sethi
 Partner
 M.No. 89802

Vinod R. Tanti
 Director

Kirti J. Vagadia
 Director

Geetanjali V. Godse
 Company Secretary

Place: Mumbai
 Date: May 18, 2010

Place: Mumbai
 Date: May 18, 2010

SE Forge Limited
Cash flow statement for the year ended March 31, 2010
All amounts in Rupees unless otherwise stated

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
A. Cash flow from operating activities		
Net Loss before tax	(1,257,141,554)	(527,627,351)
Adjustments for:		
Depreciation/amortisation	418,524,170	175,675,378
Interest Income	(26,454,034)	(60,534,147)
Interest expense	604,685,529	122,424,848
Bad Debts	1,161,031	-
Loan Processing Fees amortised	11,020,843	4,583,385
Unrealised Exchange (gains)/losses	(12,652,626)	7,851,477
Loss on sale of investments	-	(3,290,142)
Loss on sale of fixed assets	1,059,149	-
Operating profit/(loss) before working capital changes	(259,797,492)	(280,916,552)
Movement in working capital changes:		
(Increase)/Decrease in inventories	188,421,094	(1,114,801,325)
(Increase)/Decrease in sundry debtors	(322,594,607)	(112,867,570)
(Increase)/Decrease in loans and advances	(9,640,912)	(72,346,309)
(Increase) / decrease in margin money deposits	(8,295,038)	(10,205,000)
Increase/(Decrease) in current liabilities and provisions	(412,935,240)	571,939,905
	(824,842,195)	(1,019,196,851)
Direct taxes paid	(4,229,068)	(15,107,617)
Net cash used in operating activities	(829,071,263)	(1,034,304,468)
B. Cash flow from investing activities		
Payment for fixed assets	(462,976,604)	(5,384,329,625)
Sale of fixed assets	5,994,169	-
Purchase of investments	-	(4,000,000,000)
Sale of investments	-	4,003,290,142
Interest received	26,068,543	59,434,186
Net cash used in investing activities	(430,913,892)	(5,321,605,297)
C. Cash flow from financing activities		
Proceeds from issue of equity share capital	-	4,480,555,960
Proceeds from issue of preference share capital	-	1,150,000,000
Redemption of preference share capital	-	(1,930,556,000)
Share issue expenses	-	(55,399,290)
Redemption premium on preference share capital	-	(96,091,807)
Proceeds from long term borrowings	1,573,838,204	3,136,299,720
Repayment of long term loans	(343,687,106)	-
Proceeds from short-term borrowings, net	51,853,299	791,410,479
Interest paid	(577,937,564)	(102,801,410)
Net cash generated from financing activities	704,066,833	7,373,417,652
Net increase in cash and cash equivalents(A+B+C)	(555,918,322)	1,017,507,887
Cash and cash equivalent at the beginning of the year	1,099,804,340	82,296,453
Cash and cash equivalent at the end of the year	543,886,018	1,099,804,340

SE Forge Limited
Cash flow statement for the year ended March 31, 2010
All amounts in Rupees unless otherwise stated

Components of cash and cash equivalents	As at March 31, 2010	As at March 31, 2009
Cash on hand	385,256	106,665
Balances with scheduled banks:		
- in current accounts	6,653,540	35,743,244
- in term deposit accounts	555,347,260	1,074,159,431
Less: Margin Money	(18,500,038)	(10,205,000)
Total	543,886,018	1,099,804,340

Notes:

1. The figures in brackets represents outflows.
2. Previous year's figures have been regrouped/reclassified, wherever necessary.

As per our report of even date

For S. R. Batliboi & Co.
Firm Registration No. 301003E
Chartered Accountants

For and on behalf of the Board of Directors of SE Forge Limited

per Arvind Sethi
Partner
M.No. 89802

Vinod R.Tanti
Director

Kirti J. Vagadia
Director

Geetanjali V. Godse
Company Secretary

Place: Mumbai
Date: May 18, 2010

Place: Mumbai
Date: May 18, 2010

SE FORGE LIMITED
Schedules forming part of Balance Sheet as at March 31, 2010
All amounts in Rupees unless otherwise stated

Particulars	As at March 31,2010	As at March 31;2009
<u>SCHEDULE- A : SHARE CAPITAL</u>		
Authorised 250,000,000 (250,000,000) equity shares of Rs.10 each 27,500,000 (27,500,000) preference shares of Rs.100 each	 2,500,000,000 2,750,000,000 5,250,000,000	 2,500,000,000 2,750,000,000 5,250,000,000
Issued, Subscribed and Paid up Equity 241,254,125 (241,254,125) equity shares of Rs. 10 each fully paid Of the above: 200,000,000 (200,000,000) equity shares are held by Suzlon Energy Limited, the holding company along with its nominees.	 2,412,541,250 2,412,541,250	 2,412,541,250 2,412,541,250
<u>SCHEDULE- B : RESERVES AND SURPLUS</u>		
Securities Premium Account As per last balance sheet Add: Addition during the year	 3,435,967,613 - 3,435,967,613	 - 3,587,458,710 3,587,458,710
Less: Expenses on issue of equity shares Premium on Redemption of preference shares	 - - 3,435,967,613	 55,399,290 96,091,807 3,435,967,613
<u>SCHEDULE- C : SECURED LOANS</u>		
Term Loans From banks (Secured by a first charge on all immovable and/or movable fixed assets and second charge on current assets)	 4,166,376,673	 2,999,300,000
Working capital facilities from banks (Secured by hypothecation of inventories, book-debts and other current assets of the company, both present and future, second charge on all immovable fixed assets)	 950,777,052	 881,315,991
	5,117,153,725	3,880,615,991
<u>SCHEDULE- D : UNSECURED LOANS</u>		
Long-term Other than banks [Dues within one year Rs. 104,020,288(Rs.85,292,162)]	 711,304,704	 724,983,414
Short-term From banks From other than banks- Suzlon Energy Limited, holding company	 187,695,733 -	 178,222,886 34,564,317
	899,000,437	937,770,617

SE FORGE LIMITED
Schedules forming part of Balance Sheet as at March 31, 2010
All amounts in Rupees unless otherwise stated

Particulars	As at March 31, 2010	As at March 31, 2009
<u>SCHEDULE - F : INVESTMENTS</u>		
LONG TERM INVESTMENTS, UNQUOTED (At Cost, Fully paid)		
[GOVERNMENT AND OTHER SECURITIES (NON TRADE)]		
National savings certificates	20,000	20,000
	20,000	20,000
Aggregate amount of unquoted investments -		
The following investments were purchased and sold during the year : NIL [387,075,544] units of Rs.10 each in GCCG IDFC Cash Fund		
<u>SCHEDULE- G : CURRENT ASSETS, LOANS AND ADVANCES</u>		
Inventories (At lower of cost and net realisable value)		
Raw materials [Including stock in transit of Rs. 8,892,158 (Rs.110,693,223)]	747,122,835	949,947,645
Stores, spares and consumables	53,134,744	44,262,997
Work in progress	117,257,018	109,607,147
Job Work in Progress	2,785,150	-
Finished goods	47,722,501	52,625,553
	968,022,248	1,156,443,342
Sundry Debtors		
(Unsecured, considered good)		
Outstanding for a period exceeding six months	-	-
Others, considered good	434,301,146	112,867,570
	434,301,146	112,867,570
Cash and Bank Balances		
Cash on hand	385,256	106,665
Balances with scheduled banks		
on current accounts	6,653,540	35,743,244
on term deposit accounts	555,347,260	1,074,159,431
	562,386,056	1,110,009,340
Loans and Advances		
(Unsecured and considered good, except otherwise stated)		
Security deposits	7,554,719	4,758,693
Advance against taxes	17,601,895	13,505,395
(Net of Provision for Income Tax and Fringe Benefit tax Rs. Nil (Rs.2,327,099))		
Unamortised loan processing fees	77,494,969	88,515,812
Balances with customs	2,059,385	2,059,385
Service tax recoverable	15,788,177	4,215,851
Advances recoverable in cash or in kind or for value to be received	17,356,509	22,083,949
Interest accrued on fixed deposits	3,987,336	3,601,845
	141,842,990	138,740,930
	2,106,552,440	2,518,061,182

SE FORGE LIMITED
Schedules forming part of Balance Sheet as at March 31, 2010
All amounts in Rupees unless otherwise stated

Particulars	As at March 31,2010	As at March 31,2009
<u>SCHEDULE- H : CURRENT LIABILITIES AND PROVISIONS.</u>		
Current liabilities		
Sundry creditors		
Dues to micro, medium and small enterprises [See schedule 'O', note 6]	-	-
Others	662,445,706	1,090,109,786
Bank/book overdraft	20,976,493	104,017,887
Other current liabilities	116,902,647	32,672,932
Interest accrued but not due	46,371,403	19,623,438
	846,696,249	1,246,424,043
Provisions		
Provision for gratuity [See schedule 'O', note 8]	2,494,477	666,810
Provision for leave encashment	4,387,651	2,124,930
Provision for long term retention bonus	7,933,123	3,651,910
	14,815,251	6,443,650
	861,511,500	1,252,867,693

SE FORGE LIMITED

Schedules forming part of Balance Sheet as at March 31, 2010

All amounts in Rupees unless otherwise stated

SCHEDULE E: FIXED ASSETS

Particulars	Gross block				Accumulated Depreciation/ Amortisation			Net Block	
	As at April 01, 2009	Additions	Deletions	As at March 31, 2010	As at April 01, 2009	For the year	Deletions	As at March 31, 2010	As at March 31, 2009
Fixed assets									
Factory Buildings	1,332,626,767	158,328,261	3,432,641	1,487,522,387	13,085,545	48,858,606	1,472,383	60,471,768	1,319,541,222
Plant and Machinery	5,765,409,891	1,359,811,184	5,043,761	7,120,177,314	161,218,874	354,969,974	322,211	515,866,637	5,604,191,017
Office Equipments	6,536,361	1,400,157	413,234	7,523,284	671,238	339,901	41,724	969,415	6,553,869
Furniture and Fixtures	35,800,164	3,926,246	-	39,726,410	1,126,244	2,456,308	-	3,582,552	36,143,858
Computers and Peripherals	28,465,838	4,289,787	-	32,755,625	3,828,847	5,024,103	-	8,852,950	23,902,675
Vehicles	12,784,212	1,817,083	-	14,601,295	812,884	1,588,183	-	2,401,067	12,200,228
Intangible Assets									
ERP Software	14,404,442	1,296,720	-	15,701,162	566,089	4,865,736	-	5,431,825	13,838,353
Technical Knowhow	21,976,193	-	-	21,976,193	710,463	4,395,239	-	5,105,702	16,870,491
TOTAL	7,218,003,868	1,530,869,438	8,889,636	8,739,983,670	182,020,184	422,498,050	1,836,318	602,681,916	8,137,301,754
Capital work-in-progress including capital advances and goods in transit									
TOTAL	7,218,003,868	1,530,869,438	8,889,636	8,739,983,670	182,020,184	422,498,050	1,836,318	602,681,916	8,825,906,233
Previous Year	20,596,337	7,198,677,370	1,269,839	7,218,003,868	2,378,308	179,757,237	115,361	182,020,184	7,035,983,684

Notes:

- Depreciation charge for the current year includes Rs. Nil (Rs. 2,825,496) which has been capitalised to operational assets being pre-operative in nature and Rs. 3,973,880 (Rs. 1,256,361) which has been capitalised as part of self manufactured assets. The depreciation charged in the profit and loss account amounting to Rs. 418,524,170 (Rs. 175,675,378) is net of the amount capitalised.
- Capital work in progress includes capital goods in transit aggregating to Rs. 3,241,039 (Rs. 16,795,362)
- Capital work in progress includes expenses classified as pre-operative expenditure Rs. Nil (Rs. 232,201,046)
- Addition to Plant and Machinery is net of foreign exchange gain credited of Rs. 76,753,135 (Rs. 39,354,349- loss)
- Plant and Machinery includes contributions for assets not owned by the company with a gross block of Rs. 583,500,000 (Rs. 531,000,000) and accumulated depreciation of Rs. 48,259,460 (Rs. 10,510,458)

SE FORGE LIMITED
Schedules forming part of Profit and Loss Account for the year ended March 31, 2010
All amounts in Rupees unless otherwise stated

Particulars	Year Ended March 31, 2010	Year Ended March 31, 2009
<u>SCHEDULE- I : SALES</u>		
Sales of manufactured goods	993,149,137	169,425,454
Service income	16,842,493	1,696,970
Scrap sales	31,106,979	701,306
	1,041,098,609	171,823,730
<u>SCHEDULE- J : OTHER INCOME</u>		
Interest Income		
From bank [TDS Rs.3,774,700 (Rs.12,836,087)]	26,454,034	60,525,014
From others	-	9,133
Income from sale of investment	-	3,290,142
Miscellaneous income	12,887,428	7,050,754
	39,341,462	70,875,043
<u>SCHEDULE- K : COST OF GOODS SOLD</u>		
Consumption of raw materials		
Opening stock	949,947,645	41,642,017
Add: Purchases during the year	399,722,409	1,105,751,879
	1,349,670,054	1,147,393,896
Less: Closing stock	747,122,835	949,947,645
	(A) 602,547,219	197,446,251
(Increase)/decrease in inventories		
Opening balance		
Finished goods	52,625,553	-
Job Work in Progress	-	-
Work In progress	109,607,147	-
	(B) 162,232,700	-
Closing balance		
Finished goods	47,722,501	52,625,553
Job Work in Progress	2,785,150	-
Work In progress	117,257,018	109,607,147
	(C) 167,764,669	162,232,700
(Increase)/decrease in inventories	(D) = (B) - (C)	(162,232,700)
	(A) + (D)	35,213,551
	597,015,250	35,213,551

SE FORGE LIMITED
Schedules forming part of Profit and Loss Account for the year ended March 31, 2010
All amounts in Rupees unless otherwise stated

Particulars	Year Ended March 31, 2010	Year Ended March 31, 2009
<u>SCHEDULE- L : OPERATING AND OTHER EXPENSES</u>		
Stores and spares consumed	12,853,135	35,637,619
Power and fuel	168,764,333	57,391,011
Other manufacturing expenses	9,496,690	7,934,518
Factory labor charges	16,503,863	6,638,890
Facility management charges	28,995,520	10,210,788
Repairs and Maintenance		
Plant and Machinery	16,784,724	5,868,200
Building	1,302,447	-
Others	2,185,051	642,564
Other administrative expenses	17,705,915	12,158,314
Communication expenses	2,904,710	4,159,322
Auditors' remuneration and expenses	2,194,795	1,859,433
Travelling expenses, conveyance and vehicle expenses	27,804,088	19,871,038
Insurance	8,353,039	3,307,451
Rent, rates and taxes	146,270,099	42,615,697
Freight Outward	9,215,944	-
Business promotion / sales commission	4,544,889	12,915,953
Consultancy charges	31,589,074	27,850,357
Profit/Loss on Sale of Fixed Assets	1,059,149	-
Bad Debts Written off	1,161,031	-
Exchange difference, net	(36,564,752)	65,657,685
Miscellaneous expenses	2,056,078	4,623,875
	475,179,822	319,342,715
<u>SCHEDULE- M : EMPLOYEES' REMUNERATION AND BENEFITS</u>		
Salaries, wages, allowances and bonus	186,044,138	66,425,931
Contribution to provident and other funds	10,693,844	5,757,339
Gratuity expenses	3,009,492	1,917,055
Staff welfare expenses	13,645,746	8,963,137
	213,393,220	83,063,462
<u>SCHEDULE- N : FINANCE CHARGE</u>		
Interest		
Fixed loans	483,141,492	64,926,351
Others	121,544,037	57,498,497
Loan processing fees amortised	14,919,462	5,003,339
Bank charges	13,864,172	29,602,832
	633,469,163	157,031,019

SE FORGE LIMITED

SCHEDULE O-SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

(All amounts in Rupees unless otherwise stated)

1) Nature of operations

SE Forge Limited ('SEFL' or the 'Company'), is engaged in the manufacture of Castings and Forged Parts required primarily for use in Wind Turbine Generators ('WTGs'). The Company has set up its manufacturing facilities as "Units in Notified SEZ" at Vadodara and Coimbatore, in the states of Gujarat and Tamil Nadu respectively. The Company has obtained an approval from the Development Commissioner for setting up of the manufacturing facilities as "Units in the Notified SEZ" vide letter No KASEZ/P&C/6/57/07-08/4744 dated 31st July 2007 for Vadodara Unit; and letter No. 8/1/2007-Suzlon Infra dated 18th September 2007 for Coimbatore Unit.

2) Significant Accounting Policies

a) Basis of accounting

The financial statements have been prepared under the historical cost convention, on accrual basis of accounting to comply in all material respects, with the mandatory accounting standards as notified by the Companies (Accounting Standards) Rules, 2006 (as amended) ('the Rules') and in conformity with accounting principles generally accepted in India ('Indian GAAP') as applicable, and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies have been consistently applied by the company; and are consistent with those used in previous year. Accounting policies not referred to otherwise, are in conformity with Indian GAAP.

b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

c) Fixed assets and Intangible assets

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use. Cost of an internally generated asset comprises all expenditure that can be directly attributed or allocated on a reasonable and consistent basis, to create, produce and make the asset ready for its intended use. Capital Work in Progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, certain expenses incurred till the date of commencement of commercial production and identified as pre-operative expenses are capitalized upon the commencement of commercial production.

In the case of contributions made for assets which are not owned by the Company, but the benefits of which are expected to be received by the Company, expenditure incurred in connection with such assets are capitalised and amortised over the estimated useful life of such assets or expected period of receipt of benefits from such assets, whichever is earlier.

In respect of accounting periods commencing on or after 7th December 2006, exchange differences arising on reporting of the "long-term foreign currency monetary items" at rates different from those at which they were initially recorded during the period, or reported in the

previous financial statements are added to or deducted from the cost of the asset and are depreciated/recovered over the balance life of the asset, if these monetary items pertain to the acquisition of a depreciable fixed asset.

Intangible Assets

Intangible assets are recorded at the consideration paid for their acquisition. In case of internally developed intangible assets, research costs are expensed as incurred and development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate;

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Intention to complete the asset and use or sell it;
- Ability to use or sell the asset;
- Capability of the asset to generate probable future economic benefits;
- Availability of adequate resources to complete the development and to use or sell the asset;
- and
- Ability to measure reliably the expenditure attributable to the intangible asset during development.

Any expenditure so capitalized is amortised over the period of expected future sales from the related project i.e. on basis of number of units manufactured through that development or three years, whichever is earlier.

Further, assets held for disposal are stated at the lower of the net book value or the estimated net realizable value.

d) Impairment of assets

The carrying amounts of assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date, to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the recoverable amount, of the CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. Value in use is calculated based on the discounted estimated future cash flows. After impairment, depreciation is provided on the revised carrying amount of assets over the remaining useful life.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

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e) Depreciation

Fixed Assets

Depreciation is provided using the Straight Line Method ('SLM') as per the estimated useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher. The rates of depreciation adopted are as follows:

Type of Asset	Rates (SLM) adopted
Office building	1.63
Factory building	3.34
Plant and machinery	4.75 (Single shift)/7.42 (Double shift)
Patterns	11.31 or number of units produced whichever is higher
Office equipments	4.75
Furniture and fixtures	6.33
Computers	16.21
Vehicles	9.50

Assets costing up to Rs. 5,000 per unit are depreciated at the rate of 100% in the period of addition.

Intangible assets

Software

Costs relating to software are amortised on a straight-line basis over a period of 3-5 years.

Technical Know-how

Technical know-how costs are amortised on a straight-line basis over a period of 5 years.

f) Inventory Valuation

Raw materials, components, stores and spares are valued at cost or net realizable value whichever is lower. However, raw materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a weighted average basis.

Work in progress goods and finished goods are valued at cost or net realizable value, whichever is lower. Cost of work in progress (including job work in progress) and finished goods includes direct materials, labour and other direct costs, and a proportion of manufacturing overheads based on the normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion to make the sale.

g) Revenue Recognition

Revenue comprises sale of flanges, rings, castings, sale of scrap and interest income. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and that the revenue can be reliably measured.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, in accordance with terms and conditions of the customer's orders, provided that the income can be measured reliably and is expected to be received. Revenue is disclosed, net of discounts, excise duty, sales tax, value added tax or other taxes, as applicable.

Income from services

Revenue from job work service is recognized when service is rendered.

Interest Income

Interest income is recognised on the time proportion basis taking into account the amount outstanding and the rate applicable.

h) Foreign currency transactions

i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

iii) Exchange differences

Exchange differences, in respect of accounting periods commencing on or after December 7, 2006, arising on reporting of "long-term foreign currency monetary items" at rates different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are added to or deducted from the cost of the asset and are depreciated over the balance life of the asset.

Exchange differences arising on the settlement of monetary items not covered above, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

i) Leases

Where company is a lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as expense in the Profit and Loss Account on a straight line basis over the lease term.

j) Taxes on Income

Tax expense comprises of current tax and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India.

Deferred income tax reflects the impact of current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Deferred tax resulting from timing differences which originate during the tax holiday period but are expected to reverse after tax holiday period is recognised in the year in which the timing differences originate using the tax rates and laws enacted or substantively enacted by the balance sheet date.

At each balance sheet date, the Company re-assesses the unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

k) Retirement and other employee benefits

Retirement benefits in the form of Employees Provident Fund and Employees' State Insurance are defined contribution and the contributions are charged to the Profit and Loss Account of the period when they are due. There are no other obligations other than the contribution payable to the respective statutory authorities. Defined contributions to superannuation fund through its employees' trust are charged to the profit and loss account on an accrual basis.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method, made at the end of each financial year.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

Actuarial gains / losses are charged to profit and loss account and are not deferred.

l) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of such assets, to the extent they relate to the period till such assets are ready to be put to use. Costs incurred in raising funds are amortised equally over the period for which the funds are acquired. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

m) Provisions, Contingent Assets and Contingent Liabilities

A provision is recognised when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and

are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current management estimates.

Contingent Liabilities are disclosed by way of notes to accounts. Contingent assets are not recognised.

n) Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for any bonus shares issued during the period and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

For the purpose of calculating diluted earnings/(loss) per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

o) Cash and Cash Equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3) Contingent Liabilities

The Government of India with a view to curtail the increasing price of steel products imposed an export duty of 15% from May 2008, on TMT steel bars used in construction industry; and the customs authorities held that the supplies to Special Economic Zones from Domestic tariff area are to be treated as exports and took the view that such supplies would attract export duty (import customs duty from SEZ unit holder's perspective). The Company being an SEZ unit holder, the Government of India has demanded import customs duty from the Company on the imports of TMT steel bars for use in the construction of the plant and buildings in the SEZ notified area and also given the show cause notice to Coimbatore unit. The Company had filed writ petitions in the High Courts of Gujarat and Madras in this regard for which stay/extension orders have been granted to the Company by the respective High Courts. During the current year the High Court of Gujarat has given the verdict in favour of the company and decision of High Court of Madras is still awaited. The amount under dispute aggregates Rs.5,326,985/- (Rs.7,005,587) as at March 31, 2010 on the steel bars procured from May 2008 to October 2008.

4) Capital Commitments

Particulars	As at March 31,2010	As at March 31,2009
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	257,951,847	736,793,458

5) **Earnings/(Loss) per Share ('EPS')**

Sr. No	Particulars	As at March 31, 2010	As at March 31, 2009
a)	Net loss after Tax	(1,238,207,250)	(548,371,322)
b)	Weighted average number of equity shares considered in calculating basic and diluted EPS (Denominator for computing basic EPS)	241,254,125	155,135,057
c)	Basic and diluted earnings/(loss) per share of face value of Rs.10/-	(5.13)	(3.53)

6) No supplier has intimated the Company about its status as micro or small enterprise or its registration with the appropriate authority under the Micro, Small and Medium Enterprises Development Act, 2006.

7) **Related party disclosures**

As per Accounting Standard 18 ('AS-18'), issued by the Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in AS-18 are given below:

(I) **List of related parties and nature of relationship where control exists:**

Sr No	Name of Company	Nature of relationship
1.	Suzlon Energy Limited	Holding Company

(II) **Other related parties with whom transactions have taken place during the year:**

a) **Fellow Subsidiary:**

- i) Suzlon Infrastructure Services Limited
- ii) Suzlon Structures Private Limited
- iii) Suzlon Towers and Structures Limited
- iv) SE Electricals Limited (formerly known as Suzlon Electrical International Limited)
- v) Suzlon Wind International Limited
- vi) Hansen Drives Limited (Subsidiary of Hansen Transmission International N.V.)*

* As Suzlon Energy Limited has sold stake in Hansen Transmission International N.V. on November 19, 2009, in case of Hansen Drives Limited transactions (subsidiary of Hansen Transmissions International N.V.) have been considered upto November 19, 2009.

b) **Key Management Personnel ('KMP'):**

- i) Tulsi R. Tanti
- ii) Kamlesh Bhadani

c) **Entity where Key Management Personnel / Relatives of Key Management Personnel ('RKMP') has significant influence ('EKMP'):**

- i) Synefra Engineering and Construction Limited (formerly known as Suzlon Infrastructure Limited)

d) Transactions between the Company and related parties and the status of outstanding balances as at March 31, 2010:

Particulars	Holding Company	Fellow subsidiaries	Entities where KMP has significant influence	KMP
Purchase of fixed assets	260,000 (-)	26,511,540 (14,207,300)	- (583,500,000)	- (-)
Sale of fixed assets	- (-)	370,000 (-)	- (-)	- (-)
Subscription/ conversion to/ purchase of equity shares	- (1,300,000,000)	- (-)	- (-)	- (-)
Subscription to/purchase of preference shares	- (1,150,000,000)	- (-)	- (-)	- (-)
Redemption of preference shares	- (2,750,000,000)	- (-)	- (-)	- (-)
Redemption premium	- (96,091,807)	- (-)	- (-)	- (-)
Sale of goods (net of returns)/services	312,435,470 (1,444,780)	535,247,500 (160,040,220)	- (-)	- (-)
Purchase of goods	- (-)	1,448,842 (-)	16,364 (-)	- (-)
Unsecured loans taken	- (1,435,600,000)	- (-)	- (-)	- (-)
Deposits /advances given	- (-)	- (-)	9,995,686 (-)	- (-)
Interest expenses	307,441 (34,104,302)	- (-)	- (-)	- (-)
Lease rent expenses	- (-)	- (-)	143,115,850 (143,115,850)	- (-)
Facilities management charges	- (-)	- (-)	28,995,520 (28,995,552)	- (-)
Electricity charges	- (-)	- (-)	134,684,302 (40,160,352)	- (-)
Water charges	- (-)	- (-)	1,601,600 (1,116,000)	- (-)
Gas Charges	- (-)	- (-)	31,986,409 (-)	- (-)
Project management consultancy charges capitalised	- (-)	- (-)	4,115,000 (55,400,000)	- (-)
Managerial remuneration	- (-)	- (-)	- (-)	- (6,524,9717)

Particulars	Holding Company	Fellow subsidiaries	Entities where KMP has significant influence	KMP
Reimbursement of expenses			16,667 (-)	
OUTSTANDING BALANCES				
Unsecured loans	- (34,564,317)	- (-)	- (-)	- (-)
Interest payable	1,671,758 (1,364,317)			
Sundry debtors	135,405,496 (1,412,041)	254,727,263 (102,361,786)	- (-)	- (-)
Sundry creditors	260,000 (-)	5,291,965 (2,447,544)	49,967,537 (43,318,192)	- (-)
Redemption premium payable	96,091,807 (96,091,807)	- (-)	- (-)	- (-)
Deposits/advances receivable	- (-)	- (-)	12,667,134 (5,923,096)	- (-)
Corporate guarantee taken for loan from Landesbank	711,304,704 (724,983,414)	- (-)	- (-)	- (-)
Managerial remuneration outstanding	- (-)	- (-)	- (-)	2,060,918 (2,060,918)

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e) Disclosure of significant transactions with related parties

Type of the Transaction	Type of relationship	Name of the entity/person	Year ended March 31,2010	Year ended March 31,2009
Purchase of Fixed Assets	Fellow subsidiary	Suzlon Structures Limited	26,511,540	2,447,544
	Fellow subsidiary	SE Electricals Limited	-	3,092,756
	Fellow subsidiary	Suzlon Infrastructure Services Limited	-	8,667,000
	EKMP	Synefra Engineering and Construction Limited	-	583,500,000
Sale of Fixed Assets	Fellow subsidiary	SE Electricals Limited	370,000	-
Subscription/conversion to/purchase of equity shares	Holding company	Suzlon Energy Limited	-	1,300,000,000
Subscription to/purchase of preference shares	Holding company	Suzlon Energy Limited	-	1,150,000,000
Redemption/conversion of preference shares	Holding company	Suzlon Energy Limited	-	2,750,000,000
Redemption premium	Holding company	Suzlon Energy Limited	-	96,091,807
Sale of goods/services	Holding company	Suzlon Energy Limited	312,435,470	-
	Fellow subsidiary	Suzlon Structures Limited	247,216,745	158,289,186
	Fellow subsidiary	Suzlon Wind International Limited	187,266,715	-
	Fellow subsidiary	Suzlon Towers and Structures Limited	98,677,708	-
Purchase of goods	Fellow subsidiary	SE Electricals Limited	1,448,842	
Unsecured loans taken	Holding company	Suzlon Energy Limited	-	1,435,600,000
Deposits/advances given	EKMP	Synefra Engineering and Construction Limited	9,995,686	5,923,096
Interest expenses	Holding company	Suzlon Energy Limited	307,441	34,104,302
Lease rent expenses	EKMP	Synefra Engineering and Construction Limited	143,115,850	143,115,850
Project management consultancy fees (Capitalised)	EKMP	Synefra Engineering and Construction Limited	4,115,000	55,400,000
Facility management charges	EKMP	Synefra Engineering and Construction Limited	28,995,520	28,995,552
Electricity charges	EKMP	Synefra Engineering and Construction Limited	134,684,302	40,160,352

Type of the Transaction	Type of relationship	Name of the entity/person	Year ended March 31,2010	Year ended March 31,2009
Water charges	EKMP	Synefra Engineering and Construction Limited	1,601,600	1,116,000
Gas Charges	EKMP	Synefra Engineering and Construction Limited	31,986,409	-
Managerial remuneration	KMP	Hugo Schippmann	-	6,524,971
Reimbursement of expense	EKMP	Synefra Engineering and Construction Limited	16,667	-

8) (a) Post employment benefits

The Company has a defined benefit gratuity plan ('Defined Benefit'). Every employee, irrespective of whether or not he/she has completed five years or more of service, is eligible for gratuity. Gratuity is computed based on 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying asset insurance policy.

The principal assumptions used in determining Defined Benefit obligations are shown below:

Particulars	As at March 31,2010	As at March 31,2009
Discounting rate	8.20%	7.90%
Salary escalation rate	8.00%	8.00%
Expected Return on Plan Asset	8.50%	8.50%
Attrition rate	10% at younger ages and reducing to 1% at older age according to graduated scale	10% at younger ages and reducing to 1% at older age according to graduated scale
Retirement age	65 Years	65 Years

The estimates of future salary increases takes into account the inflation, seniority, promotion and other relevant factors.

The following table summarises the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the Defined Benefit.

Changes in the present value of the Defined Benefit obligation are as follows:

Particulars	As at March 31,2010	As at March 31,2009
Opening defined benefit obligation	1,685,920	470,490
Interest cost	101,500	17,380
Current service cost	2,349,090	2,177,100
Benefits paid	(802,210)	(506,410)
Actuarial (gains)/losses on obligation	889,740	(472,640)
Closing defined benefit obligation	4,224,040	1,685,920

Changes in the fair value of plan assets are as follows:

Particulars	As at March 31,2010	As at March 31,2009
Opening fair value of plan assets	1,142,700	-
Expected Return on Plan assets	122,320	Nil
Actuarial gain / (loss)	(10,420)	318,490
Employer's contribution	1,394,919	1,330,620
Benefits paid	(802,210)	(506,410)
Closing fair value of plan assets	1,847,309	1,142,700

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	As at March 31,2010	As at March 31,2009
Investments with insurer	100%	100%

Details of defined benefit gratuity plan

Particulars	As at March 31,2010	As at March 31,2009
Defined benefit obligation (A)	4,224,040	1,685,920
Fair value of plan assets (B)	1,847,309	1,142,700
Present value of un-funded obligations*(A- B)	2,376,731	543,220
Less unrecognised past service cost (C)	-	-
Plan liability/(asset) (B-C)	2,376,731	543,220

* The company has made excess provision of Rs. 117,746.

Net Employees benefit expenses recognised in Profit and Loss :-

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Current service cost	2,349,090	2,177,100
Interest cost on benefit obligation	101,500	17,380
Expected return on plan assets	(122,320)	-
Actuarial (gains)/losses	900,162	(791,130)
Past service cost	-	-
Net benefit expense	3,228,432	1,403,350

Amounts for the current and previous two periods are as follows:

Particulars	April 1, 2009 to March 31, 2010	April 1, 2008 to March 31, 2009
Defined benefit obligation	4,224,040	1,685,920
Plan assets	1,847,309	1,142,700
Surplus/(deficit)*	(2,376,731)	543,220
Experience adjustments on plan liabilities	(1,027,880)	1,010,960
Experience adjustments on plan assets	(10,420)	6,150
Actuarial gain/ (loss) due to change in assumption	138,140	(213,480)

* The company has made excess provision of Rs. 117,744.

9) Other Notes

a) **Appointments under sections 269 of the Act**

The Company is a Public company as per the provisions of the Act and has a paid up share capital of Rs.241.25 crores during the year ended March 31, 2009. The Company has not yet appointed the whole-time director or a manager, as required by section 269 of the Companies Act, 1956.

b) **Operating leases**

The Company has taken certain premises under cancellable operating leases. The total rental expense charged to profit and loss account under cancellable operating leases during the year is Rs.1,585,575 (Rs.2,115,313).

c) Creditors include acceptances of Rs 265,166,911 (Rs.84,301,767).

10) Derivative instruments and unhedged foreign currency exposures:

a) **Particulars of Forward Contracts outstanding as at Balance Sheet date**

Particulars of derivative contract outstanding	Purpose
Buy EURO 740,141 (Nil)	Hedge of forex Euro liabilities
Sell EURO Nil (47,982)	Hedge of forex Euro assets

b) **Particulars of unhedged foreign currency exposure as at Balance Sheet date**

Particulars	As at March 31,2010	As at March 31,2009
Unsecured loan-long term	673,064,051	724,983,414
Unsecured loan-short term	187,695,733	178,222,886
Sundry creditors	109,404,072	439,997,641
Debtors	41,240,181	265,765
Interest accrued but not due	1,094,245	322,501

11) Deferred tax

Particulars	Deferred Tax Asset/(Liability) as at March 31, 2009	Current year (Charge) /Credit	Deferred Tax Asset/(Liability) as at March 31, 2010
Deferred tax liability:			
Depreciation on fixed assets	(19,066,872)	(447,000,518)	(466,067,390)
Deferred Tax Asset:			
On brought forward business losses and unabsorbed depreciation as per income-tax returns (to the extent of deferred tax liability)	-	466,067,390	466,067,390
Deferred tax asset/(liability):	(19,066,872)	19,066,872	-

12) Information pursuant to the provisions of Paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

a) Licensed & Installed Capacity and Production

Class of Goods	Unit	Licensed Capacity		Installed Capacity		Actual Production	
		2010	2009	2010	2009	2010	2009
Forged and machined rings	MT	Note 1	Note 1	Note 2	Note 2	2,846	1,442
Castings	MT	Note 1	Note 1	Note 2	Note 2	5,966	225

1. Licensed capacity - The products manufactured and sold by the Company i.e., forged/machined rings and castings have not been included in the list of mandatory items, which require a license under the New Industrial Policy in terms of Notification no. S.O.477 (E) dated 25th July, 1991; and hence, licensing requirements are not applicable to the products manufactured by the Company.
2. The installed capacities in respect of forged/machined rings and castings have not been disclosed, as these are variable and subject to changes in product mix and utilization of manufacturing facilities, given the nature of its operations.
3. Production of forged and machined rings includes captive consumption of 55 MT (216 MT).
4. Production of castings includes captive consumption of Nil MT (201 MT).

b) Sales

Particulars	Unit	2009 - 2010		2008 - 2009	
		Quantity	Amount Rs.	Quantity	Amount Rs.
Forged and machined rings	MT	3,134	508,443,215	873	167,982,124
Castings	MT	5,229	484,705,922	14	1,443,330
Total			993,149,137		169,425,454

c) Stocks of Finished Goods

Particulars	Unit	As at March 31, 2010		As at March 31, 2009	
		Quantity	Amount Rs.	Quantity	Amount Rs.
Forged and machined rings	MT	10	1,204,372	353	52,625,553
Castings	MT	737	46,518,129	-	-
Total		747	47,722,501	353	52,625,553

d) Raw materials consumption

Particulars	Unit	2009-10		2008-09	
		Quantity	Amount	Quantity	Amount
Concast steel blooms -(a)	MT	4,653	225,972,060	3719	203,606,933
Sorel Metal - (b)	MT	6,905	196,336,149	533	15,359,337
Others			200,223,131		5,069,325
Total			622,531,340		224,035,595

(a) Consumption of concast steel blooms include 60 MT (259 MT) used for captive consumption amounting to Rs.3,880,628 (Rs.17,469,397)

(b) Consumption of sored metal includes 561 MT (309 MT) used for captive consumption amounting to Rs. 16,103,493 (Rs. 9,119,947).

e) Value of imported and indigenous raw materials and spares consumed

Raw Materials

	2009-10		2008-09	
	Amount (Rs.)	%	Amount (Rs.)	%
Imported	459,131,054	76%	220,938,736	99%
Indigenous	163,400,286	24%	3,096,859	1%
Total	622,531,340	100%	224,035,595	100%

Stores and spares

	2009-10		2008-09	
	Amount (Rs.)	%	Amount (Rs.)	%
Imported	3,099,509	24%	3,912,812	11%
Indigenous	9,753,626	76%	31,724,807	89%
Total	12,853,135	100%	35,637,619	100%

f) C.I.F. value of imports

Particulars	2009-10 Rs.	2008-09 Rs.
Raw materials	205,478,201	1,084,752,496
Stores and spares	13,458,571	12,960,485
Capital goods	76,238,541	2,423,499,573
Total	295,175,313	3,521,212,554

g) Expenditure in foreign currency (on accrual basis)

Particulars	2009-10 Rs.	2008-09 Rs.
Travelling expenses	2,584,222	2,525,357
Consultancy charges	19,377,025	16,580,504
Interest	25,904,256	65,680,374
Salaries, wages, allowances and bonus	5,804,225	-
Business promotion	2,823,474	-
Others	847,970	1,825,299
Total	57,341,172	86,611,534

h) Earnings in foreign currency (on accrual basis)

Particulars	2009-10 Rs.	2008-09 Rs.
FOB value of exports*	110,326,035	3,322,180
Total	110,326,035	3,322,180

*Does not include sales made to SEZ entities/EOU units in Indian currency aggregating to Rs. 283,825,981 (Rs.1,181,928)

i) Managerial remuneration to directors

Particulars	April 1, 2009 to March 31,2010 Rs.	April 1, 2008 to March 31,2009 Rs.
Salaries	-	6,144,164
Contribution to superannuation fund	-	380,807
	-	6,524,971

The remuneration referred to above have been paid to Mr.Hugo L. Schippmann, who was director of the Company till 31st December 2008.

j) Auditors' remuneration and expenses

Particulars	2009-10 Rs.	2008-09 Rs.
Statutory audit fees	1,500,000	1,556,650
Out of pocket expenses	137,267	302,783
	1,637,267	1,859,433

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13) Segment Reporting

The Company has disclosed business segment as the primary segment. Segments have been identified taking into account the nature of products, the differing risks and returns, the organization structure and internal reporting system. The Company's operations predominantly relate to manufacture and sale of castings and forged parts. Segment revenue, segment results, segment assets and segment liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis. The accounting principles consistently used in the preparation of the financial statements are also consistently applied to record income and expenditure in individual segments. These are as set out in the note on significant accounting policies. Dominant source of geographical risk is location of customers and hence the secondary segment reporting is based on geographical location of customers.

Segment Revenue	Year ended March 31, 2010			Year ended March 31, 2009		
Total External Sales (incl service income)	487,669,601	553,429,008	1,041,098,609	3,140,300	168,683,430	171,823,730
Add: inter segment	-	-	-	-	-	-
Segment revenue	487,669,601	553,429,008	1,041,098,609	3,140,300	168,683,430	171,823,730
Segment results	(406,773,157)	(256,240,698)	(663,013,855)	(180,504,526)	(260,966,849)	(441,471,375)
Add/Less: Items to reconcile with loss as per profit and loss account						
Add: other income			39,341,463			70,875,043
Less: Finan. charges			633,469,163			157,031,019
Loss before tax			(1,257,141,555)			(527,627,351)
Provision for current tax			-			-
Deferred tax			-			-
Fringe benefit tax			132,568			1,677,099
Total tax			(18,934,304)			(20,743,971)
Loss after tax			(1,238,207,251)			(548,371,322)
Segment Assets	4,798,619,151	5,999,648,639	10,798,267,790	5,713,272,919	5,528,673,287	11,241,946,206
Common assets			95,116,865			102,041,207
Enterprise assets			10,893,384,654			11,343,987,413
Segment Liabilities	614,823,262	1,145,948,676	1,760,771,938	776,908,825	1,413,729,483	2,190,638,308
Common Liabilities			5,117,153,725			3,899,682,863
Capital expenditure	273,692,447	107,615,269	381,307,716	2,967,538,218	2,481,599,833	5,449,138,051
Depreciation	235,486,905	183,037,265	418,524,170	27,378,172	148,297,206	175,675,378
Significant non cash expenses other than depreciation	7,668,164	7,251,298	14,919,462	421,384	1,785,769	2,207,153

Geographical Segment

Particulars	India	Europe	China	Total
Segment Revenue	933,114,265	92,899,309	15,085,035	1,041,098,609
	(168,501,550)	(3,322,180)	(Nil)	(171,823,730)

The company has only one geographical location based on location of assets and hence the additional information relating to carrying amount of segment assets and cost to acquire tangible and intangible fixed assets based on location of assets has not been disclosed.

- 14) The company has commenced commercial production in September 2008 in case of Vadodara unit and in February 2009 in case of Coimbatore unit. Hence, the figures of the profit and loss account for the previous year are not for the full accounting year. Accordingly, the figures of the current year are not comparable with those of the previous year. Prior year amounts have been reclassified wherever necessary to confirm with current years' presentation. Figures in brackets are in respect of the previous year.

As per our report of even date

S. R. Batliboi & Co.
Firm registration No. 301003E
Chartered Accountants

For and on behalf of the Board of Directors of SE Forge
Limited

per Arvind Sethi
Partner
M. No.89802

Vinod R. Tanti Kirti J. Vagadia Geetanjali V. Godse
Director Director Company Secretary

Place: Mumbai
Date: May 18, 2010

Place: Mumbai
Date: May 18, 2010