12th Annual Report 2007- 2008

Board of Directors

Shri Gautam S. Adani, Chairman
Shri Rajesh S. Adani, Managing Director
Shri R. K. Gupta, Whole Time Director
Shri Ameet H. Desai
Shri B. B. Tandon
Shri S. K. Tuteja
Shri Vijay P. Ranchan
Shri Chinubhai R. Shah

Company Secretary

Shri Digish H. Shah

Auditors

M/s Deloitte Haskins & Sells
Chartered Accountants
Ahmedabad

Registered Office

'Shikhar'
Near Adani House, Mithakhali Six Roads,
Navrangpura, Ahmedabad - 380 009.

Bankers and Financial Institutions

Allahabad Bank
Andhra Bank
Axis Bank Ltd.
Bank of Baroda
Bank of India
Bank of Maharashtra
Canara Bank
Corporation Bank
Development Credit Bank
ICICI Bank Ltd.
India Infrastructure Finance Company Limited
Indian Overseas Bank
Oriental Bank of Commerce
Punjab National Bank
Small Industries Development Bank of India
Standard Chartered Bank
State Bank of Hyderabad
State Bank of India
State Bank of Mysore
State Bank of Patiala
State Bank of Saurashtra
State Bank of Travancore
Syndicate Bank
Tamilnadu Mercantile Co-operative Bank Ltd.
UCO Bank
Yes Bank Ltd.

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DIRECTORS' REPORT

Dear members,

Your directors are pleased to present the twelfth annual report together with audited statement of accounts of your company for the financial year ended on 31st March, 2008:

Financial Highlights:

The company is in the process of setting up of phase I, II, III , and IV power projects consisting of 2x330 MWs, 2x330 MWs, 2x660 MWs and 3x660 MWs, respectively aggregating to 4620 MW at Mundra, Gujarat. Since projects of the company are under implementation, the company has not prepared profit and loss account and all the expenses incurred/ to be incurred till the operationalisation of the project will get capitalized.

The company has incurred expenditure of Rs 18009.15 million on various projects during the year. Accordingly, the fixed assets (incl CWIP) of the company has increased from Rs. 6049.24 million as at 31st March, 2007 to Rs. 24058.39 million as at 31st March, 2008.

The total sources of funds (incl shareholders and loan funds) has increased from Rs. 4249.59 million as at 31st March, 2007 to Rs. 24472.34 million as at 31st March, 2008.

Dividend:

The projects of the company are in various stages of its implementation, and hence no operating income has yet been generated. In view of same no dividend can be recommended by the board of directors of the company.

Investment by 3i Power Investments A1 Limited :

3i Power Investments A1 Limited, Mauritius has invested into 5,20,83,333 equity shares and 15,00,00,000 preference shares of the company in October 2007. The total investment of 3i Power Investments A1 Limited in the company has been Rs.9000.00 million.

3i Power Investments A1 Limited had opted for conversion of 15,00,00,000 preference shares into equity shares and accordingly the preference shares held by them were converted into 3,20,59,002 equity shares of Rs.10/- each on 25th April, 2008.

Increase in Paid Up Share Capital:

In order to meet long term financial requirement of various projects of the company, company has issued and allotted 29,13,93,333 equity shares during the year under review. As a result of same the subscribed, issued, and paid up equity share capital of company has increased to Rs. 5,52,08,33,330 divided into 55,20,83,333 equity shares of Rs. 10 each, on 31st March, 2008.

The company has also made further issue of 43,20,59,002 equity shares of Rs. 10/- each after 31st March, 2008 by way of preferential allotment on 25th April, 2008. The company has also issued 78,73,13,868 equity shares of Rs. 10/- each after 31st March, 2008 by way of bonus on 28th April, 2008. With these allotments the subscribed, issued and paid up equity share capital has reached to Rs. 17,71,45,62,030 divided into 1,77,14,56,203 equity shares of Rs. 10/- each.

Conversion into Public Limited Company:

Your directors are pleased to inform that your company has been converted into a public limited company and accordingly its name has been changed to Adani Power Limited. The necessary approval for the same was obtained from the Registrar of Companies, Gujarat and fresh certificate of incorporation consequent to the change of name was issued by the Registrar of Companies, Gujarat on 12th April, 2007.

Subsidiary Companies :

During the year under review your company has acquired 100% equity shares of Adani Power Maharashtra Limited (erstwhile known as Adani Power Maharashtra Private Limited), Adani Power Dahej Limited (erstwhile known as Adani Power Dahej Private Limited) and Adani Power Rajasthan Limited (erstwhile known as Adani Power Rajasthan Private Limited) and in view of same they have become 100% subsidiary companies of the company. The subsidiary companies of the company namely Adani Power Maharashtra Private Limited, Adani Power Dahej Private Limited, and Adani Power Rajasthan Private Limited were converted into Adani Power Maharashtra Limited, Adani Power Dahej Limited, Adani Power Rajasthan Limited w.e.f. 16th May, 2008, 16th May, 2008 and 29th April, 2008, respectively.

The company is in process of making application to the Ministry of Corporate Affairs, Government of India, New Delhi under section 212(8) of the Companies Act 1956, seeking approval for exemption for publishing annual accounts of subsidiary companies (i.e Adani Power Maharashtra Limited, Adani Power Rajasthan Limited and Adani Power Dahej Limited) along with the annual accounts of the company. The company shall instead publish audited annual accounts of the company and consolidated audited annual accounts as per accounting standard 21 issued by the Institute of Chartered Accountants of India (ICAI), without attaching audited annual accounts of the subsidiary companies. The company shall make available related information/ accounts of subsidiary companies as and when requested by any investor of company or its subsidiary companies. The annual accounts of the subsidiary companies will also be kept for inspection by any investor at the registered office of the company and its subsidiary companies. In case company doesn't get the above approval, it shall publish annual audited accounts of the company along with complete annual audit accounts of its subsidiary companies.

Maiden Initial Public Offering :

In order to part fund various projects of the company and its subsidiaries, your company is planning to tap the capital market by way of initial public offer of 29,69,48,000 equity shares. The company has filed Draft Red Herring Prospectus for same with Securities and Exchange Board of India, Bombay Stock Exchange Ltd. and National Stock Exchange Ltd. on 2nd May, 2008.

Progress in Implementation of Various Projects

The progress of various projects of your company is as under :-

I. Power Project at Mundra

The company is setting up coal based 4620 MW power plant in 4 phases comprising Phase I: 660 (2 x 330) MW, Phase II: 660 (2 x 330) MW, Phase III: 1320 (2 x 660) MW, Phase IV: 1980 (3 x 660) MW at a total estimated cost of Rs 191060.00 million.

Land: Land for all the four projects at Mundra is under possession upto 293-88-10 hectors.

Supply and Service Contracts: Orders have been placed as under:

a. Phase I and II are being implemented on package basis. While the entire BTG package has been awarded to one contractor, the BoP has been awarded to various contractors.

b. Supply contract of power plant based on super critical technology has been awarded for Phase III & IV to one contractor.

c. Erection contracts for development of power plant have been executed for Phase III and IV with one contractor.

Fuel: Agreements with Adani Enterprises Ltd., holding company have been executed for all the four phases for the total coal requirement. Adani Enterprises Ltd., through its subsidiary company in Indonesia has acquired exclusive mining rights in three coal blocks.

Off Take Arrangement: By two separate agreements of 1000 MW each the company has secured power purchase agreements with Gujarat Urja Vikas Nigam Limited for total supply of 2000 MW.

The company has also bid for supply of 1420 MW power under power purchase agreements to Haryana Power Generation Corporation Limited.

Debt Tie-Up Status: All the above projects are funded by way of debt (incl. subordinate debt of 5%) equivalent to 80% of total project cost and balance by way of equity. The total debt requirement for Phases I,II and III has been fully tied-up and documents executed with the lenders.

As regards Phase IV, out of total debt requirement of Rs.71680.00 million, State Bank of India has under written debt of Rs.53800.00 million.

II. Capacity Addition Through Subsidiary Companies:

a. Adani Power Maharashtra Limited (APML):

APML is setting up 1980 MW domestic coal based power generation project at Tiroda, Dist. Gondia, Maharashtra in two phases comprising Phase I with capacity of 2 X 660 MW and Phase II with capacity of 1 X 660 MW. The total estimated cost of both phases is Rs.92630.00 million.

Land: 204.28 hectors land has been leased by MIDC for power plant.

Supply and service contract: Contract for BTG package has been awarded.

Fuel: Coal mines have been allocated at Lohara West and extension at Chandrapur District by Ministry of Coal, Government of India.

Off Take Arrangement: The company has also bid for supply of 1541 MW to MSEDCL.

Debt Tie-Up Status: Both of the above projects are funded by way of debt (incl. subordinate debt of 5%) equivalent to 80% of total project cost and balance by way of equity.

The company has received sanction of Rs.28000.00 million from various lenders out of total debt requirement of Rs. 52500.00 million for Phase I. State Bank of India has provided underwriting arrangement of Rs 16300.00 million out of total debt requirement of Rs.21620.00 million for Phase II.

b. Adani Power Rajasthan Limited (APRL):

Proposed to set-up 1320 MW domestic coal based power generation project at Kawai, Dist. Baran, Rajasthan at a total estimated cost of Rs. 58890.00 million.

- Adani Enterprises Limited, holding company has entered into MOU with Rajasthan Government for the proposed project and Rajasthan Government has assured to provide support for the project in securing land, fuel allocation, etc.
- The project is proposed to be funded by way of debt (incl. subordinate debt of 5%) equivalent to 80% of total project cost and balance by way of equity. Out of total debt requirement of Rs.58890.00 million, the

company has secured sanction of underwriting arrangement of Rs.35400.00 million from State Bank of India.

c. Adani Power Dahej Limited (APDL):

Proposed to set-up 1980 MW domestic coal based power generation project at Dahej, Dist. Bharuch, Gujarat at a total estimated cost of Rs. 88810.00 million.

- This project will utilize imported coal as primary fuel for its operations. The company has entered into long-term coal supply arrangements for importing coal with Adani Enterprises Ltd., holding company.
- The project is proposed to be funded by way of debt (incl. subordinate debt of 5%) equivalent to 80% of total project cost and balance by way of equity. Out of total debt requirement of Rs.88810.00 million, the company has secured in principle sanction of underwriting arrangement of Rs. 53200.00 million from State Bank of India.

Power Scenario :

Indian Power Sector

The economy of the country is growing at brisk pace of 8-10%, backed by buoyancy in the industrial and services sector. Strong infrastructure support is crucial to sustain this growth. However, the power scenario does not appear very encouraging, with the country facing an energy deficit of 9.8% and peak deficit of 16.6%. The power scenario in some states is even worst, with Maharashtra facing an unprecedented power shortage, resulting in load shedding of 8 to 10 hours in some parts of the state.

The grim scenario is a consequence of the abysmally slow progress in capacity addition. During the earlier three five year plans, less than 50% of the capacity addition targets were achieved. India has added an average of around 19 GW to its capacity addition target in the 9th and 10th plan periods. This is miniscule, as compared with China's capacity addition of around 200 GW over last three years. Though both the countries faced a similar situation until about a decade ago, China, unlike India, was quick to assess the power situation and took corrective measures. Though the Indian government has been setting higher targets each year, the achievement has been far from satisfactory. Due to unreliable supply and inadequate infrastructure, the per capita consumption and energy in India is at 618 KWH, which is much lower compared to countries like Canada, USA, Australia, Japan, France, Germany, UK, Russia, Brazil, China. The Government of India's vision of "Power for All" by 2012 will require aggressive growth and increased private sector participation. The Government has been taking several initiatives to give thrust to the growth and reform of the sector and also to make electricity reach the rural areas of the country.

Current economic performance reflects a healthy trend based on increased consumption, investment and exports. Over the next five years, this growth is expected to continue. This will enable power sector to drive an unprecedented growth. The power industry is at a threshold of major growth cycle along the complete value chain in view of the fact that GDP is expected to grow at over 8-10% pa. The reforms make the power sector more attractive to private sector investment.

After failing to attract adequate investments in the last two of five year plans and introduction of Electricity Act, 2003 which has liberalized and delicensed power generation sector, have created investor interest back in the sector. Over 50,000 MW of additional generation capacity has already been tied up for completion during the 11th plan and another 20000 to 30000 MW are in different stages of approval. The Government has set a target of adding 78,577 MW during the current plan with a total investment of over Rs. 10 lacs crores. The ultra mega power project (UMPP) scheme, which promises to add 4000 MW per project, has also taken off. The planned addition of power generation capacity of over 78577 MW during the 11th plan has been designed to realize the goal of providing power to all by 2012.

Power Scenario - Gujarat

The power requirements of the state are met by the power generated by state utility, IPPs, state's share in the power generated by the central sector power stations and purchases from other states. Total existing capacity in the state as on 31st March, 2008 was 11,051.99 MW out of which, 52% is owned by State Utilities, 26% by private sectors and 22% was generated through share in the central power stations. The power generating capacity of Gujarat has been doubled in the last decade. Inspite of such a significant increase, the state is facing power shortages. The approx. shortages for the period April 2007 to March 2008 were 16.20% in terms of energy and 26.70% in terms of peak load. The reason may be lack of optimum utilization of existing generation capacity, large scale theft, skewed tariff structure etc.

Power Scenario- Maharashtra

The power requirements of the state are met by the power generated by state utility, IPPs, state's share in the power generated by the central sector power stations and purchases from other states. Total existing capacity in the state as on 31st March, 2008 was 19,582.80 MW out of which, 53% is owned by state utilities, 20% by private sectors and 27% was generated through share in the central power stations. The state is facing power shortages.

The approx. shortages for the period April 2007 to March 2008 were 18.30% in terms of energy and 26.40% in terms of peak load.

Power Scenario – Rajasthan

The power requirements of the state are met by the power generated by state utility, IPPs, state's share in the power generated by the central sector power stations and purchases from other states. Total existing capacity in the state as on 31st March, 2008 was 6,242.85 MW out of which, 64% is owned by state utilities, 8% by private sectors and 28% was generated through share in the central power sations. The state is facing power shortages and the approx. shortages for the period April 2007 to March 2008 were 2.40% in terms of energy and 12.80% in terms of peak load.

Insurance:

Your company has obtained necessary project insurance from reputed insurance companies, which provides a comprehensive insurance cover during the project construction phase including delayed start up cover and advance loss of profit.

Dematerialization of Equity Shares:

The company has entered into necessary agreement with National Securities Depository Limited (NSDL) to facilitate the shareholders of the company to avail dematerialization facility. The ISIN no. is INE814H01011.

Directors:

Shri Rajesh S. Adani, Shri S. K. Tuteja , Shri Anil S. Ahuja, Shri Vijay P. Ranchan and Shri Chinubhai R. Shah, were appointed as additional directors of the company, w.e.f. 12th June, 2007, 17th September, 2007, 1st October, 2007, 12th December, 2007 and 25th April, 2008 respectively. Pursuant to section 260 of Companies Act, 1956, these directors hold office upto the date of ensuing annual general meeting and being eligible have offered themselves for re-appointment (except for Shri Anil S. Ahuja who has resigned on 30th April, 2008).

Shri Sanjay Gupta, Shri R. K. Madan, Shri P. K. Mittal and Shri Anil S. Ahuja, resigned as directors of the company w.e.f. 12th December, 2007, 31st March, 2008, 31st March, 2008 and 30th April, 2008 respectively.

Shri R. K. Gupta's tenure as Managing Director expired on 15th March, 2008 after office hours. He has been appointed as Whole Time Director of the company for a period of 2 years w.e.f. 16th March, 2008, on same remuneration and other terms as he enjoyed as Managing Director.

Shri Rajesh S. Adani has been appointed as Managing Director of the company w.e.f. 1st April, 2008, for a period of 5 years without remuneration. Both Shri R. K. Gupta's and Shri Rajesh S. Adani's appointment has also been approved by the members of the company at their extra ordinary general meeting held on 25th April, 2008.

As per section 256 of the Companies Act, 1956, Shri Gautam S. Adani will retire by rotation at the ensuing annual general meeting and being eligible offers himself for re-appointment.

Audit Committee:

Your company has an existing audit committee consisting of 3 directors including non executive directors. The scope and constitution of the committee meets the requirement of clause 49 of the listing agreement of stock exchanges.

Share Transfer and Shareholder/Investor Grievance Committee:

Your company has also constituted a share transfer and shareholders/investor grievance committee consisting of 3 directors including non executive directors. The scope and constitution of the committee meets the requirement of clause 49 of the listing agreement of stock exchanges.

Directors' Responsibility Statement:

Pursuant to the requirements under 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, your directors hereby confirm the following: -

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanations relating to material departures;
2. The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year;
3. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The directors have prepared the annual accounts on a going concern basis.

Auditors:

The company's statutory auditors Deloitte Haskins & Sells, Ahmedabad, Chartered Accountants, will retire on the conclusion of forthcoming twelfth annual general meeting and being eligible, have expressed their willingness for re-appointment.

Fixed Deposits:

The company has neither accepted nor renewed any fixed deposits pursuant to provisions of section 58A of the Companies Act, 1956.

Auditors' Report:

Notes forming part of the accounts are self-explanatory and therefore, do not call for any comments.

Human Resources:

Your company strongly believes in the power of people and has always recognized and motivated the employees of the company. Your company is fortunate to have a team of highly motivated and target oriented team of professionals. The company continues to recruit the best of talent in the field for its ongoing projects. The company continued in its endeavor to impart appropriate and relevant training to its employees to equip them to meet the challenges lying ahead.

Personnel:

The particulars of employees as required by section 217 (2A) of the Companies Act, 1956 and Companies (Particulars of Employees) Rules, 1975 as amended is provided at **Annexure – A** to this report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo:

The statement containing the information as per section 217(1)(e) of the Companies Act read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 with regard to conservation of energy in form A is not provided since the same is not applicable to company.

The company has implemented world renowned SAP system. Since the projects of the company are in various stages of implementation the information on conservation of energy is not appended.

During the year there was no earning in foreign exchange. The foreign exchange outgo during the year under review amounted to Rs. 6391.98 million (previous year Rs. 1252.76 million) mainly on account of payment to the overseas plant and machinery suppliers.

Acknowledgement:

Your directors acknowledge with deep sense of appreciation the co-operation received from Government of India (including Ministry of Power, Ministry of Finance, Ministry of Environment and Forests, Ministry of Coal, Central Electricity Authority, Central Electricity Regulatory Commission, etc.), State Governments of Gujarat, Maharashtra, Rajasthan, State Electricity Boards, etc.

Your directors also convey their gratitude to the shareholders, various financial institutions, banks for the continued support and confidence shown in the company. The directors also appreciates the contribution of various contractors, suppliers of machinery, and various consultants who have been instrumental in the present progress of implementation of projects of the company.

Your directors place on record their sincere appreciation for the efforts and contribution put in by all the employees of the company.

And last but not the least your directors also acknowledge the sincere efforts and co-operation extended by the statutory auditors of the company.

For & on behalf of the board of directors

Date : 27th May, 2008 — **Gautam S. Adani**
Place : Ahmedabad — **Chairman**

Annexure A to Directors' Report

A. Information as per section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975

No.	Name	Age (years)	Designation	Gross remunerations (Rs. In million)	Qualification	Date of joining	Previous employment
1	Mr. R. K. Gupta	63	Managing Director	3.45	BE Electrical	11.3.06	Rajasthan State Electricity Board
2	Mr. Vineet Jain	37	Vice President	2.50	BE - Mechanical	4.12.06	Jindal Power Limited
3	Mr. Govind Ram Modi	63	General Manager	2.04	BE Mechanical MIE Mechanical	13.5.06	Rajasthan Rajya Vidyut Utpadan Nigam Limited
4	Mr. Asharam Sharma	56	General Manager	3.00	B.E. - Civil	17.11.06	Rajasthan Rajya Vidhyut Utpadan Nigam Limited

B. Employed for a part of the financial year and were in receipt of remuneration for any part of the financial year at a rate which in aggregate was not less than Rs. 2,00,000/ per month.

No.	Name	Age (years)	Designation	Gross remunerations (Rs. In million)	Qualification	Date of joining	Previous employment
1	Mr.Keshav Saran	66	President	4.48	B Sc (Hons) MBA Marketing LLB	2.7.07	Power Finance Corporation
2	Mr.Subrato Trivedi	58	President	2.20	BE - Mechanical	13.8.07	NTPC Limited
3	Mr.O. P. Kalia	58	Sr. Vice President	2.71	B Sc (Hons)- Mechanical Masters in Mechanical Engineering	25.08.07	Reliance Energy Limited
4	Mr.Dev P. Joshi	51	Vice President	1.90	BE Electrical	14.08.07	NTPC Limited
5	Mr.Harji Lal Saini	55	Vice President	0.53	B Sc Engineering-Mech	1.2.08	BHEL
6	Mr.K.C.Panigrahy	61	Vice President	1.25	B Sc(Engineering) Mech.	1.11.07	BHEL
7*	Mr. Laxmi N. Agrawal	47	Vice President	0.56	BE – Electrical M Tech	13.7.07	Reliance Energy Limited
8	Mr. Dwarka Lal	59	General Manager	1.62	BE Electrical & Diploma in Management	8.8.07	Rajasthan State Electricity Board
9	Mr. Jatinder K. Bhatnagar	52	Asst. Vice President	1.70	B Tech - Mechanical	23.8.07	NTPC Limited
10	Mr. P. Paravata Gouda	51	General Manager	0.89	B Tech- Civil	27.11.07	NTPC Limited

No.	Name	Age (years)	Designation	Gross remunerations (Rs. In million)	Qualification	Date of joining	Previous employment
11	Mr. Kush Singh	43	General Manager	1.09	BE Mechanical	30.10.07	NTPC Limited
12	Mr. Vijaysimha Kasi	47	General Manager	1.33	BE Electrical	27.9.07	NTPC Limited
13	Mr. Vinodkumar Bhatnagar	51	General Manager	0.15	BE Electrical	11.3.08	NTPC Limited
14	Mr. Bansi Dhar De	60	Asst. Vice President	1.33	BE Mechanical	19.10.07	NTPC Limited
15	Mr. Dinesh K. Singh	54	Asst. Vice President	1.25	B Tech-Civil	20.10.07	NTPC Limited
16	Mr. Rajinder P. Mittal	57	Asst. Vice President	1.22	M Sc, AMIE, LLB	18.08.07	Reliance Energy Limited
17*	Mr. Sanjeeb Kumar Sarkar	46	Project Coordinator	1.22	B.E.Mechanical	15.03.07	Jindal Stainless Ltd.
18	Mr. Bishnu P. Nanda	48	General Manager	0.58	B Sc Engineering-Electrical	21.1.08	NTPC Limited
19	Mr. Subimal P. Shome	53	General Manager	0.57	BE Mechanical	15.01.08	NTPC Limited

* Employees have resigned on 30.09.2007

Auditors' Report
To the members of Adani Power Limited

1. We have audited the attached balance sheet of **Adani Power Limited** as at 31st March, 2008 and also 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. No profit and loss account has been prepared since the company is yet to commence its revenue operations and the necessary details as per part II of schedule VI to the Companies Act, 1956 have been disclosed in schedule 6 as "Project Development Expenditure".

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 by the Companies (Auditor's Report) (Amendment) Order, 2004 (together 'Order') issued by the Central Government in terms of Section 227(4A) 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 in paragraph 3 above, we report that:

   a. 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;

   b. In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of the books;

   c. The balance sheet and cash flow statement dealt with by this report are in agreement with the books of account;

   d. In our opinion, the balance sheet 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;

   e. On the basis of written representation received from the directors as on 31st March, 2008 and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

   f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and other notes thereon, 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:

      (i) in the case of the balance sheet of the state of the affairs of the company as at 31st March, 2008;

      (ii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For Deloitte Haskins & Sells,
Chartered Accountants

(Gaurav J. Shah)
Partner
Membership No.35701

Place : Ahmedabad
Date : 27th May, 2008

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date)

1. The nature of the company's business / activities during the year is such that the requirements of clause (ii), (viii), (xiii) and (xiv) of paragraph 4 of the order are not applicable to the company.
2. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) The company has a programme of physical verification of its fixed assets over a period of three years, which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. In accordance with this programme, certain fixed assets have been physically verified by the management during the year and according to the information and explanations given to us, no material discrepancies have been noticed on such verification.

   (c) The company has not disposed off a substantial part of fixed assets during the year.
3. (a) The company had granted an unsecured loan to a company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 60 crores and the year-end balance of the loan granted to such party was Rs. Nil.

   (b) According to the information and explanations given to us, the rate of interest and other terms and conditions on which the loan has been given to the company covered in the register maintained under section 301 of the Companies Act, 1956 are not, prima facie, prejudicial to the interest of the company.

   (c) In respect of the above-stated loan given to the company, the repayment of principal and interest were regular during the year.

   (d) There is no overdue amount of loan granted to the company covered in the register maintained under section 301 of the companies Act, 1956.

   (e) The Company has not taken loans secured/ unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of fixed assets. There has not been any purchase of inventory or sale of goods or services by the company during the year. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls.
5. In respect of transactions that need to be entered in the register maintained in pursuance of section 301 of the Companies Act, 1956:

   (a) The particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, have been so entered;

   (b) The transactions have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The company has not accepted any deposits from the public during the year.
7. In our opinion, the company has an adequate internal audit system commensurate with its size and nature of its business.
8. (a) According to the information and explanations given to us, the company is generally 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, custom duty, excise duty, cess and other material statutory dues applicable to it.

   (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, as at 31st March 2008 for a period of more than six months from the date they became payable.

   (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
9. The company has not commenced any commercial activities during the year and accordingly, provisions of clause (x) of Para 4 are not applicable.