



SRM ENERGY LIMITED

**25th Annual Report
2011-2012**

NOTICE



NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the members of SRM Energy Limited will be held on Friday, September 28, 2012 at 11.00 a.m. at The Banquet Hall, Hotel Atithi, 77A & B, Nehru Road, Near Domestic Airport, Vile Parle (E), Mumbai-400 099 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the year ended March 31, 2012 together with Directors' Report and the Auditors' Report thereon.
2. To appoint a Director in place of Mr. Sudarshan K. Parab who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board
For SRM Energy Limited

Place: Mumbai.
Dated: July 25, 2012.

Sanjeevlata Samdani
Company Secretary

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the meeting. A form of proxy is given at the end of the Annual Report.
3. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company between 10.30 a.m. and 12.30 p.m. on all working days except Saturdays and holidays upto the date of the Annual General Meeting.
4. The Register of Members and Share Transfer Books of the company will remain closed on Friday, September 21, 2012 to Friday, September 28, 2012.
5. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be made available at the meeting.
6. Members/ Proxies who attend the meeting are requested to bring the enclosed attendance slip duly filled and deliver the same at the entrance of the meeting hall.
7. Members are requested to bring their copies of Annual Report at the time of attending the Meeting.
8. Members who are holding Company's shares in dematerialised form are requested to bring details of their DP and client ID number for identification.
9. Brief profile of Directors seeking appointment / reappointment at the forthcoming Annual General Meeting are disclosed hereunder as required in Clause 49 of the Listing Agreement.

Brief profile of directors seeking reappointment**• Mr. Sudarshan K. Parab**

He is a graduate in Commerce and an Associate Member of Institute of Bankers. He started his career in State Bank of India in 1970 and had a long stint in corporate credit. He joined Axis Bank Ltd. in 1995 and held very key portfolios and contributed significantly to the growth of the bank, before retiring in 2007 as Senior Vice President.

By Order of the Board
For SRM Energy Limited

Place: Mumbai.
Dated: July 25, 2012.

Sanjeevlata Samdani
Company Secretary

DEAR SHAREHOLDERS,

Our Directors present herewith the Twenty Fifth Annual Report together with the Audited Financial Statements of the Company for the year ended March 31, 2012.

FINANCIAL RESULTS

₹ in Million

Description	Year Ended 31-03-2012	Year Ended 31-03-2011
Other Income	-	0.05
Total Revenue	-	0.05
Other Expenses	3.50	4.11
Total Expenses	3.50	4.11
Loss before exceptional and extraordinary and tax	(3.50)	(4.06)
Exceptional Items	-	-
Loss before extraordinary items and tax	(3.50)	(4.06)
Extra-ordinary Items	-	-
Loss before Tax	(3.50)	(4.06)
Tax Expense	-	-
Loss for the year	(3.50)	(4.06)

OPERATIONS

The Company is in the process of setting up a Super Critical Thermal Power Project of 3X660 MW i.e. 1980 MW capacity in Tamilnadu and there are no other operations at present. As such the related expenses incurred during the current period are considered as pre-operative expenses pending allocation to the power project.

The Company has already identified the entire land required for the project and is currently concentrating on acquiring contiguous land. However paucity of funds resulting from the Company not being able to proceed with the proposed Rights Issue has considerably slowed down the land acquisition process and also the Company entering into Coal Trading business.

It is learnt that the Company's application for Coal linkage of 3.2 million tons per annum has been favourably considered by the Ministries concerned and a formal communication in this regard is expected shortly. The linkage is likely to be with Mahanadi Coal Ltd. and the coal will be transported through barges from

Orissa to Tamilnadu. Imported and Domestic Coal will be blended in the ratio of 70:30 for usage in the plant. The Company is continuing its efforts to get Chinese Bank funding for major portion of the debt requirements of the project.

PROPOSED RIGHTS ISSUE OF THE COMPANY

The Company had filed Draft Letter of Offer to the Security Exchange Board of India (SEBI) for its proposed right issue on August 17, 2010. Though SEBI gave its final observations vide letter dated February 8, 2011 it did not allow adjustment of unsecured loan brought in by the Promoters against their Rights entitlement. The Company went on appeal to Securities Appellate Tribunal (SAT) and it had allowed the Company's appeal vide its orders dated June 6, 2011, subsequent to which the Company filed Final Letter of Offer for the Proposed Rights Issue on June 17, 2011 with SEBI for raising ₹589 million.

However in the interim, SEBI, while dealing with certain entities in case of market manipulation by issue of GDRs, had vide its ex-parte order No.WTM/PS/ISD/02/2011 dated September 21, 2011, which was later confirmed vide order dated December 30, 2011, directed a group Company, Cals Refineries Ltd. (Cals) not to issue equity shares or any other instruments convertible into equity shares or alter capital structure in any manner till further directions in this regard. Subsequently, SEBI vide its letter No. CFD/DIL/ISSUES/SP/RG/OW/3382/2012 dated February 7, 2012 informed our Merchant Banker that, as Cals, a group Company has been directed not to issue any equity shares or alter their capital structure in any manner till further directions in this regard, the Company is not satisfying the eligibility criteria as provided in Regulation 4(2)(a) and 4(2)(b) of the ICDR regulations and hence is not eligible to proceed with the Rights Issue till directions against Cals are in force.

The Company had filed an appeal to SAT against the aforesaid direction of SEBI but the Company's appeal has been dismissed by SAT. In view of this, the Company now proposes to proceed with the Rights Issue as and when Cals is exonerated from the charges.

HIVE OFF:

In order to proceed at a faster pace with the implementation of the project, the Board of Directors, have approved the hiving off of the Cuddalore Power Project to our wholly owned subsidiary M/s SRM Energy Tamilnadu Pvt. Ltd., as per the Scheme of arrangement under section 391 to 394 of the Companies Act, subject to receipt of necessary approvals.

DIVIDEND

As the Power project is under implementation and there is no operating income, your directors are not in a position to recommend any dividend.

DIRECTORS

Mr. B.S. Rao, Director of the Company resigned from the Board on September 27, 2011. Your directors record their appreciation for the services and support rendered by him during his tenure on the Board of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Article of Association of the Company, Mr. Sudarshan K. Parab retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment at the ensuing Annual General Meeting of the Company.

Brief profile of the Director proposed to be reappointed as required under Clause 49 of the Listing Agreement is annexed to the Notice of Annual General Meeting forming part of this Annual Report.

SUBSIDIARY COMPANY & RELATED COMPLIANCES

As per Section 212 (1) of the Companies Act, 1956, the Company is required to attach to its accounts, the Director's Report, Balance Sheet and Profit and Loss Account etc. of each of its subsidiaries.

Your Company has one wholly owned subsidiary company viz. "SRM Energy Tamilnadu Private Limited, which does not have any operations at present. Hence, the Board of Directors have decided to avail the general exemption granted by the Ministry vide its General Circular No. 2/2011, dated February 08, 2011 under section 212(8) of the Companies Act, 1956.

Accordingly, a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Auditors of the aforesaid wholly owned subsidiary for the year ended March 31, 2012 have not been attached with the financial statements of your Company. However, the annual accounts of the subsidiary company and the related detailed information are available to the shareholders of the Company seeking such information at any point of time. The annual accounts of the subsidiary company are kept for inspection by any shareholder at the Registered office of the Company and a note to the above effect has been included in the annual report of the Company.

FIXED DEPOSITS

During the year under review, the Company has not accepted any deposits from the public pursuant to Section 58-A of the Companies Act, 1956.

THE CORPORATE GOVERNANCE CODE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, a compliance report on Corporate Governance is annexed as part of the Annual Report.

DEMATERIALISATION OF SHARES

In terms of the notification issued by SEBI, the Company has dematerialized its shares with both the depositories CDSL and NSDL.

DIRECTOR'S RESPONSIBILITY STATEMENT

Your Director's affirm that the audited accounts containing the financial statements for the Financial Year 2011-12, are in conformity with the requirements of the Companies Act, 1956. They believe that the financial statements reflect fairly the form and substance of transactions carried out during the year and reasonably present the Company's financial condition and the results of operations.

Pursuant to sub-section (2AA) of Section 217 of the Companies Act, 1956 the Board of Directors of the Company hereby state and confirm that:

- a) In the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- b) The Directors had 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 and of the profit/loss of the Company for that period.
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The Directors had prepared the annual accounts on a going concern basis.

CODE OF CONDUCT

The Code of Conduct, as adopted by the Board of Directors is applicable to all Directors, Senior Management and Employees of the Company. This code is based on fundamental principles, viz. good corporate governance and good corporate citizenship. The Code covers Company's commitment to sustainable development, concern for occupational health, safety and environment, a gender friendly work place, transparency and accountability and legal compliance.

AUDITORS

M/s Haribhakti & Co., Chartered Accountants, Mumbai, the Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that, their appointment, if made, by the Company for the year 2012-13 will be within the limit prescribed under Section 224 (1-B) of the Companies Act, 1956. The Board of Directors recommend their reappointment.

AUDITORS' OBSERVATIONS

The Company's Auditors have drawn attention to Note 28 of the financial statements with regard to the preparation of financial statements on a going concern assumption. The management is of the view that though the Company's net worth has been substantially eroded and it is incurring cash losses, the Company would turn around with the power project becoming operational. The Company's present assets are adequate to meet its liabilities. In addition, the Promoter is also committed to provide necessary funding to meet the Company's liabilities.

PARTICULARS UNDER SECTION 217

Since no employee is receiving remuneration in excess of limit specified under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, Statement of particulars of employees do not form part of the report.

Statement of particulars under Section 217(1)(e) regarding Conservation of Energy and Technology Absorption are presently not applicable to the Company.

Details of foreign exchange outgo are set out in note No. 19 of the Financial Statements. There have been no Foreign Exchange earnings during the current year and previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report for the year under review, as stipulated under Clause 49 of the Listing Agreement is presented in a separate section forming part of the Annual Report.

APPRECIATION

Your Directors wish to express their sincere appreciation to the Central Government, the State Governments, bankers and the business associates for their excellent support and look forward to continued support in future. Your Directors wish to place on record their appreciation to the employees at all levels for their hard work, dedication and commitment.

For and on behalf of the Board of Directors

Place: Mumbai.
Dated: July 25, 2012.

Chairman

CERTIFICATE



TO

**The Members of SRM Energy Limited,
Mumbai.**

We have examined the compliance of conditions of corporate governance by **SRM Energy Limited** for the year ended March 31, 2012 as stipulated in Clause 49 of the Listing Agreement of the said Company with Bombay Stock Exchange.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

On the basis of representations received from Registrars and Share Transfer agents and as per the records maintained by the Company which are presented to the Share Transfer Committee, we state that during the year ended March 31, 2012 no investor grievances were pending for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **M/s. D.C.TANNA & ASSOCIATES**
Company Secretaries

Place: Mumbai.
Dated: July 25, 2012.

D.C.TANNA
Proprietor

CEO CERTIFICATION

This is to certify to the Board that:

- a) I have reviewed financial statements and the cash flow statement for the year ended March 2012 and that to the best of my knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of my knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that I have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which I am aware and the steps I have taken or proposed to be taken to rectify these deficiencies.
- d) I have indicated to the Auditors and the Audit committee:
 - i) significant changes in internal control system over financial reporting during the year;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii) instances of significant fraud of which I have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Mumbai.
Dated: July 25, 2012.

D. Sundararajan
Managing Director & CEO

Forward-looking statements:

The report contains forward-looking statements, identified by words like 'plans', 'expects', 'will', 'anticipates', 'believes', 'intends', 'projects', 'estimates' 'envisages/ envisaged" and so on. All statements that address expectations or projections about the future, but not limited to the Company's strategy for expenditures, and financial results, are forward-looking statements. Since these are based on certain assumptions and expectations of future events, the Company cannot guarantee that these are accurate or will be realised. The Company's actual results, performance or achievements could thus differ from any forward looking statements. The Company assumes no responsibility to publicly amend, modify or revise any such statements on the basis of subsequent developments, information or events.

Overview:

Financial Year (FY) 2011-12 was one of the most challenging years with the world economy slowing down due to the Euro zone Debt crisis, Political upheavals in the Middle East etc leading to high oil prices, the effect of which was also felt by India. GDP growth, for the first time in 9 years fell to a level of 6.5%, coupled with current account deficit of around 5% of GDP as compared to 2.6% in the previous year. To compound the matters further, the continuously falling rupee is fuelling inflation and though the Reserve Bank of India has been virtually fighting inflation during the whole of last year by raising interest rates many times during the year it has not met with much success. Once considered the engine of Asian economic growth, the Indian economy in recent years has been throttled by a combination of high inflation, tight monetary policy, weak global economic conditions and lax implementation of fiscal policies and reforms. Apart from the above, the political compulsions of a coalition govt. have slowed down the process of many of the reforms proposed.

However, in the recent times measures have been taken by the Govt. and Reserve Bank of India like reduction in subsidies for petroleum products, a cut in interest rates in April 2012 etc. Along with these steps, fast tracking of many of the infrastructure projects is expected to increase the GDP to around 7% in the current year.

Indian Power Sector:

It is a widely accepted fact that development of adequate infrastructure is essential for all inclusive growth of the economy and Power is one of the most critical components of infrastructure affecting economic growth and well being of nations. To sustain the growth rate of around 8-9%, it is essential that the power sector also grows at the same rate.

Realising this, the Govt. of India had taken a number of steps to attract private sector investment in the power sector. The electricity reforms which took shape with the introduction of the Electricity Act 2003 coupled with various incentives offered have been able to attract sizeable amount of investments from the private sector. The capacity addition during the 11th Five Year Plan which ended March 2012 stood at 67548 MW, out of which coal based plants contributed about 40900 MW, which by far is the maximum capacity addition during any of the preceding five year plans. In fact during the year ended March 2012 alone there was an addition of around 20500 MW, out of which around 5500 MW was commissioned during March 2012. Out of the total of 67548 MW the private sector alone accounted for 37162 MW constituting 55% of the capacity addition.

However, even after the considerable growth in power supply, many parts of the country continue to face severe power shortages as consumption has been increasing at a faster pace. Further in the recent past the investments into India's power sector are slowing down despite a chronic power shortage in various parts of the country, due to coal shortages, land acquisition hassles and the inability by distribution companies to raise tariffs. Companies struggle to get permission for land purchases and coal supplies from state and central authorities, while state-run distributors have increased their debts due to their inability to raise tariffs. In addition the slower pace of development of transmission and distribution network, high percentages