

**Deloitte
Haskins & Sells**

PTC INDIA FINANCIAL SERVICES LIMITED

**AUDITED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED**

DECEMBER 31, 2010

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF PTC INDIA FINANCIAL SERVICES LIMITED

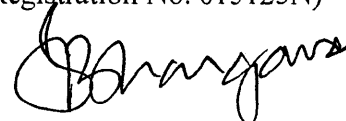
1. We have audited the attached Balance Sheet of **PTC India Financial Services Limited** ('the Company') as at December 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the nine months period ended on that date, both annexed thereto. These financial statements are 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. These financial statements have been prepared by the Company in accordance with the recognition and measurement principles laid down by Accounting Standard (AS) – 25, 'Interim Financial Reporting' and comply with other Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 to the extent applicable and as adopted by the Company. These financial statements have been prepared solely for the limited purpose of facilitating the Board of Directors, to extract financial information, to the extent applicable, as required by paragraph B (1) of Part II of Schedule II to the Companies Act, 1956, in connection with the proposed initial public offering of equity shares of the Company.
4. *Attention is invited to Note 3 of Schedule 19 to the financial statements wherein it is stated that due to the limited use of the financial statements for the proposed initial public offering of equity shares, the Company has not prepared a comparable profit and loss account and the statement of cash flows for the nine months period ended December 31, 2009 as required in consonance with Accounting Standard 25 – 'Interim Financial Reporting' notified under the Companies (Accounting Standards) Rules, 2006.*
5. We report that:
 - a. *Subject to our comments in paragraph 4 above, 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;*



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- b. 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;
 - c. the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. *Subject to our comments in paragraph 4 above*, in our opinion, the Balance Sheet, the Profit and Loss Account and the 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. in our opinion and to the best of our information and according to the explanations given to us and *subject to our comment in paragraph 4 above*, the said accounts, together with the notes thereon 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 affairs of the Company as at December 31, 2010;
 - ii. in the case of the Profit and Loss Account, of the profit of the Company for the nine months period ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows of the Company for the nine months period ended on that date.
6. This audit report is furnished solely for use set out in paragraph 3 above and is not to be used or referred to in any document or distributed to anyone for any other purpose without our prior written consent.

For Deloitte Haskins & Sells
Chartered Accountants
(Registration No. 015125N)



Jaideep Bhargava
Partner
(Membership No. 90295)

GURGAON, MARCH 1, 2011

2

PTC INDIA FINANCIAL SERVICES LIMITED

BALANCE SHEET AS AT DECEMBER 31, 2010

	Schedule	As at 31.12.2010 (Rupees in lacs)	As at 31.03.2010 (Rupees in lacs)
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	43,458.33	43,458.33
Employee stock option outstanding	2	42.78	123.96
Reserves and surplus	3	23,133.25	20,011.43
Loan funds			
Secured loan	4	47,736.86	31,080.10
Deffered tax liabilities (net) [Refer note 10 to schedule 19]		718.43	437.51
		<u>115,089.65</u>	<u>95,111.33</u>
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	3,523.12	3,504.75
Less: Depreciation		412.90	7.74
		<u>3,110.22</u>	<u>3,497.01</u>
Add: Capital work in progress		0.84	9.60
		<u>3,111.06</u>	<u>3,506.61</u>
Investments	6	44,054.07	40,670.40
Loan financing	7	59,511.51	26,620.10
Current assets, loans and advances			
Sundry debtors	8	43.82	0.11
Cash and bank balances	9	6,640.56	23,447.38
Other current assets	10	496.80	475.24
Loans and advances	11	2,971.37	1,183.87
		<u>10,152.55</u>	<u>25,106.60</u>
Less: Current liabilities and provisions	12		
Current liabilities		1,749.89	788.05
Provisions		176.54	4.33
		<u>1,926.43</u>	<u>792.38</u>
Net current assets		8,226.12	24,314.22
Miscellaneous expenditure (To the extent not written off or adjusted)			
Share issue expenses (Refer note 17 to schedule 19)		186.89	0.00
		<u>115,089.65</u>	<u>95,111.33</u>

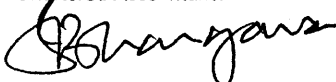
Notes to accounts

19

In terms of our report attached

The schedules referred to above form an integral part of the balance sheet

For Deloitte Haskins & Sells
Chartered Accountants



Jaideep Bhargava
Partner

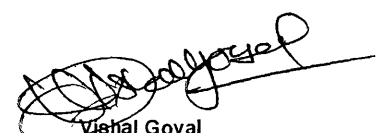
For and on behalf of the Board of Directors



T. N. Thakur
Chairman and Managing
Director
DIN: 00024322



Ashok Haldia
Director
DIN: 00818489



Vishal Goyal
Company Secretary

Place : Gurgaon

Date : 01/03/2011

Place : New Delhi

Date : 01/03/2011

PTC INDIA FINANCIAL SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2010

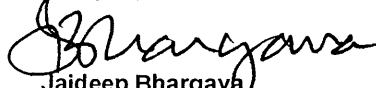
	Schedule	Nine months ended 31.12.2010 (Rupees in lacs)	Year ended 31.03.2010 (Rupees in lacs)
INCOME			
Income from investments	13	1,414.24	2,128.06
Interest income	14	5,412.95	1,357.37
Fee based income		666.85	467.71
Income from sale of power		354.52	0.11
Other income	15	405.87	1,395.70
		<u>8,254.43</u>	<u>5,348.95</u>
EXPENDITURE			
Personnel expenses	16	63.61	256.90
Administration and other expenses	17	334.28	256.90
Interest and other charges	18	2,864.20	1,160.44
Depreciation / Amortisation		405.16	4.70
Provision for contingencies (Refer note 18 to schedule 19)		157.96	-
		<u>3,825.21</u>	<u>1,678.94</u>
Profit before tax		<u>4,429.22</u>	<u>3,670.01</u>
Less : Tax expense			
- Current tax		1,026.48	651.00
- Deferred tax charge (Refer note 10 to schedule 19)		280.92	473.77
Profit after tax		<u>3,121.82</u>	<u>2,545.24</u>
Balance as per last balance sheet		2,708.38	672.64
Less : Transfer to statutory reserve		(624.50)	(509.50)
Balance carried to balance sheet		<u>5,205.70</u>	<u>2,708.38</u>
Basic earnings per share (Rs.)		0.72	0.59
Diluted earnings per share (Rs.)		0.70	0.59
[Refer note 9 to schedule 19]			

Notes to accounts 19

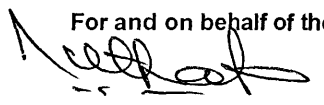
In terms of our report attached

The schedules referred to above form an integral part of the profit and loss account

For Deloitte Haskins & Sells
Chartered Accountants


Jaideep Bhargava
Partner

For and on behalf of the Board of Directors


T. N. Thakur
Chairman and Managing
Director
DIN: 00024322


Ashok Haldia
Director
DIN: 00818489

Place : Gurgaon

Date : 01/03/2011

Place : New Delhi

Date : 01/03/2011


Vishal Goyal
Company Secretary



PTC INDIA FINANCIAL SERVICES LIMITED

CASH FLOW STATEMENT FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2010

	Nine months ended 31.12.2010 <u>(Rupees in lacs)</u>	Year ended 31.03.2010 <u>(Rupees in lacs)</u>
(A) CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	4,429.22	3,670.01
Adjustment for:		
Depreciation/Amortisation	405.16	4.70
Provision for contingencies	157.96	
Employee stock options	(81.18)	113.98
Profit / (loss) on sale of non trade current investments (net)	-	(0.60)
Dividend Income on investment other than in power project companies	(120.79)	(464.14)
Interest on fixed deposits	(380.53)	(1,393.88)
Interest - others	(0.03)	(0.02)
Interest and other charges	2,864.20	1,160.44
Operating profit before working capital changes	<u>7,274.01</u>	<u>3,090.49</u>
Increase/Decrease:		
Current assets and loans and advances	(2,530.88)	(709.22)
Trade and other payables	388.48	(45.06)
Loan financing	(32,891.41)	(24,620.10)
Investments in power project companies (net)	(1,641.65)	(20,669.23)
Cash used in operations	<u>(29,401.45)</u>	<u>(42,953.12)</u>
Direct taxes paid	(665.67)	(1,193.79)
Net cash flow from operating activities	<u>(30,067.12)</u>	<u>(44,146.91)</u>
(B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(9.69)	(3,505.79)
Proceeds from sale of fixed assets	0.08	0.48
Profit on sale of non trade current investments	-	0.60
Purchase of investments other than in power project companies (net)	(1,688.93)	
Dividend Income on investment other than in power project companies	120.79	464.14
Interest on fixed deposits	644.73	1,128.67
Interest - others	0.03	0.02
Net cash flow from investing activities	<u>(932.99)</u>	<u>(1,911.88)</u>
(C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings	17,616.76	26,620.10
Proceeds / repayments from / of short term borrowings	(960.00)	2,460.00
Interest and other charges	(2,276.58)	(443.11)
Share issue expenses for proposed Initial Public Offer	(186.89)	-
Net cash flow from financing activities	<u>14,193.29</u>	<u>28,636.99</u>
Net increase/(decrease) in cash and cash equivalents	<u>(16,806.82)</u>	<u>(17,421.80)</u>
Opening cash and cash equivalents	23,447.38	40,869.18
Closing cash and cash equivalents	6,640.56	23,447.38
	<u>(16,806.82)</u>	<u>(17,421.80)</u>

PTC INDIA FINANCIAL SERVICES LIMITED

CASH FLOW STATEMENT FOR THE NINE MONTHS PERIOD ENDED DECEMBER 31, 2010

Nine months ended 31.12.2010 (Rupees in lacs)	Year ended 31.03.2010 (Rupees in lacs)
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Notes:

1 Closing cash and cash equivalents comprise :

Cheques in hand		0.01
Balance with scheduled banks		
- Current accounts	279.21	221.02
- Fixed deposit accounts	<u>6,361.35</u>	<u>23,226.35</u>
Total	<u><u>6,640.56</u></u>	<u><u>23,447.38</u></u>

2 The above cash flow statement has been prepared under the indirect method set out in AS-3 notified under Companies (Accounting Standards) Rules, 2006.

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Jaideep Bhargava
Jaideep Bhargava
Partner

For and on behalf of the Board of Directors

T. N. Thakur
T. N. Thakur
Chairman and Managing
Director
DIN: 00024322

Ashok Haldia
Ashok Haldia
Director
DIN: 00818489

Place : Gurgaon
Date : 01/03/2011

Place : New Delhi
Date : 01/03/2011

Wishal Goyal
Wishal Goyal
Company Secretary

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PTC INDIA FINANCIAL SERVICES LIMITED

Schedules 1 to 19 annexed to and forming part of accounts

	As at 31.12.2010 (Rupees in lacs)	As at 31.03.2010 (Rupees in lacs)
SCHEDULE - 1 SHARE CAPITAL		
AUTHORISED		
1000,000,000 (previous year 600,000,000) equity shares of Rs 10 each	100,000.00	60,000.00
ISSUED		
434,583,335 (previous year 434,583,335) equity shares of Rs 10 each	43,458.33	43,458.33
SUBSCRIBED AND PAID UP		
434,583,335 (previous year 434,583,335) equity shares of Rs 10 each fully paid up	43,458.33	43,458.33
	<u>43,458.33</u>	<u>43,458.33</u>

Of the above subscribed and paid up capital:

337,250,001 (previous year 337,250,001) equity shares of Rs. 10 each representing 77.60% (previous year 77.60%) are held by PTC India Limited, the holding company and its nominees

SCHEDULE - 2 EMPLOYEE STOCK OPTION OUTSTANDING

Stock options outstanding	89.25	537.69
Less: Deferred employee compensation expense	(46.47)	(413.73)
	<u>42.78</u>	<u>123.96</u>

SCHEDULE - 3 RESERVES AND SURPLUS

Securities premium			
Balance brought forward	16,622.95	16,622.95	
Add: Additions during the period/year	-	-	16,622.95
Statutory reserve			
[in terms of Section 45-IC of the Reserve Bank of India, 1934]			
Balance brought forward	680.10	170.60	
Add: Additions during the period/year	624.50	509.50	680.10
Profit and loss account			
	5,205.70	2,708.38	
	<u>23,133.25</u>	<u>20,011.43</u>	

SCHEDULE - 4 LOAN FUNDS

Secured

Debentures (refer note (i) below)	20,000.00	20,000.00
Term loans from banks (refer note (ii) below)	26,236.86	8,620.10
Short Term Loan from banks (refer note (iii) below)	1,500.00	2,460.00
	<u>47,736.86</u>	<u>31,080.10</u>

Note

- (i) 1,000 privately placed 10.60% secured redeemable non convertible debentures of Rs.1,000,000 each (Series 1) allotted on October 1, 2009 redeemable at par in three equal annual installments commencing from September 30, 2012.
1,000 privately placed 9.35% secured redeemable non convertible debentures of Rs.1,000,000 each (Series 2) allotted on February 3, 2010 redeemable in entirety on February 2, 2012.
Series 1 and Series 2 are secured by way of mortgage of immovable building and first charge by way of hypothecation of the receivables of the loan assets created by the proceed of respective debentures. Further, Series 1 has also been secured by pari passu charge by way of hypothecation of the receivables of loan assets created by the Company out of its own sources which are not charged to any other lender of the Company.
- (ii) The term loans from banks are secured by first pari-passu charge by way of hypothecation of the current assets including book debts, investments and other receivables (other than assets created by line of credit of other financial institutions / banks). Additionally, the loans are backed by an agreement of assignment of the project assets financed from proceeds of the loans, in favour of respective lenders. Amount repayable within one year Rs.554.36 lacs (previous year - Rs. 31.25 lacs)
- (iii) The short term loan from banks are secured by pledge of fixed deposits with the concerned bank. Amount payable within one year Rs. 1,500 lacs (previous year - Rs.2,460 lacs)

PTC INDIA FINANCIAL SERVICES LIMITED

SCHEDULE - 5 FIXED ASSETS

(Rupees in lacs)

Particulars	GROSS BLOCK - AT COST			DEPRECIATION / AMORTISATION					NET BLOCK	
	As at 31.03.2010	Additions during the period	Deletions / adjustments	As at 31.12.2010	Upto 31.03.2010	For the Period	Deletions / adjustments	Upto 31.12.2010	As at 31.12.2010	As at 31.03.2010
Tangible assets :										
Building	11.94	-	-	11.94	0.17	0.44	-	0.61	11.33	11.77
Plant and machinery (Wind mill)	3,479.39	-	-	3,479.39	1.46	401.70	-	403.16	3,076.23	3,477.93
Office equipments	2.48	3.21	0.08	5.61	1.08	0.91	-	1.99	3.62	1.40
Computers	9.51	2.31	-	11.82	4.66	1.79	-	6.45	5.37	4.85
Furnitures and fixtures	0.96	0.93	-	1.89	0.13	0.23	-	0.36	1.53	0.83
Intangible assets :										
Software	0.47	12.00	-	12.47	0.24	0.09	-	0.33	12.14	0.23
Total	3,504.75	18.45	0.08	3,523.12	7.74	405.16	-	412.90	3,110.22	
Previous year	9.15	3,496.19	0.59	3,504.75	3.15	4.70	0.11	7.74	0.84	9.60
Capital works in progress									3,111.06	3,506.61
[including capital advances of Rs.0.84 lacs (previous year Rs. 9.60)]										

PTC INDIA FINANCIAL SERVICES LIMITED

SCHEDULE - 6 INVESTMENTS

	Face Value (Rupees per share)	As at 31.12.2010		As at 31.03.2010	
		Quantity (Nos.)	Value (Rupees in lacs)	Quantity (Nos.)	Value (Rupees in lacs)
(A) Long term investment (at cost)					
(i) Trade - Unquoted (at cost)					
[Refer note (11) to schedule 19]					
In Associates - Equity shares, fully paid up					
Ind-Barath Energy (Utkal) Limited	10.00	105,000,000	10,500.00	105,000,000	10,500.00
Ind-Barath PowerGencom Limited	10.00	55,630,000	5,563.00	55,630,000	5,563.00
Indian Energy Exchange Limited	10.00	5,766,026	576.60	6,939,190	693.92
Meenakshi Energy Private Limited	10.00	60,341,081	6,034.11	43,550,000	4,355.00
PTC Bermaco Green Energy Systems Ltd.	10.00	1,374,646	137.46	843,684	84.37
RS India Wind Energy Limited	10.00	61,121,415	6,112.14	57,311,415	5,731.14
Varam Bio Energy Private Limited	10.00	4,390,000	439.00	4,390,000	439.00
In Equity shares, fully paid up					
East Coast Energy Private Limited	10.00	125,000,000	12,500.00	96,511,403	9,651.14
Debentures, fully paid up					
Optionally convertible debentures in Meenakshi Energy Infrastructure Holding Private Limited	10,000,000.00	-	-	34	3,400.00
Optionally convertible debentures in Varam Bio Energy Private Limited	500,000.00	90	450.00	40	200.00
(ii) Non trade - Quoted					
Equity shares, fully paid up					
Container Corporation of India Limited	10.00	1,040	10.27	1,040	10.27
Power Grid Corporation of India Limited	10.00	81,839	42.56	81,839	42.56
(B) Current investment					
(cost or fair value whichever is lower)					
(i) Non trade-Unquoted					
Investment In Mutual Fund					
Birla Sunlife Saving Plan-IP-DDR	10.00	3,670,278	367.28	-	-
HDFC CMF-Treasury Advantage Plan-DDR	10.00	7,138,982	716.15	-	-
Templeton India Ultra Short Term Bond Fund-DDR	10.00	6,048,027	605.50	-	-
Total			44,054.07		40,670.40
Aggregate cost of quoted investments			52.83		52.83
Aggregate cost of unquoted investments			44,001.24		40,617.57
Total			44,054.07		40,670.40
Aggregate market value of quoted investments (Based on last traded price available as at period / year end)			93.63		101.40

PTC INDIA FINANCIAL SERVICES LIMITED

	As at 31.12.2010 (Rupees in lacs)	As at 31.03.2010 (Rupees in lacs)
SCHEDULE - 7 LOAN FINANCING		
(Considered good unless otherwise stated)		
Secured		
Loans	59,511.51	26,620.10
	<u>59,511.51</u>	<u>26,620.10</u>
SCHEDULE - 8 SUNDRY DEBTORS		
Unsecured considered good		
Less than six months	43.82	0.11
	<u>43.82</u>	<u>0.11</u>
SCHEDULE - 9 CASH AND BANK BALANCES		
Cash and bank balance		
Cheques on hand	-	0.01
Balance with scheduled banks in :		
- Current accounts	279.21	221.02
- Fixed deposit accounts	6,361.35	23,226.35
	<u>6,640.56</u>	<u>23,447.38</u>
* Include Rs.1625 lacs (previous year Rs. 2460 lacs) pledged with banks		
SCHEDULE - 10 OTHER CURRENT ASSETS		
(Considered good unless otherwise stated)		
Interest accrued but not due on :		
- Fixed deposits	23.34	287.54
- Loans	257.47	184.32
- Debentures	2.83	3.38
Interest accrued and due on :		
- Loans	213.16	-
	<u>496.80</u>	<u>475.24</u>
SCHEDULE - 11 LOANS AND ADVANCES		
(Considered good unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received #	2,733.31	506.71
Advance against investment	-	53.10
Balance with central excise on current accounts	20.89	46.08
Advance income tax [net of provision for income tax Rs 1683.09 lacs (previous year Rs 656.61 lacs)]	216.00	576.81
Advance fringe benefit tax [net of provision for fringe benefit tax Rs.1.49 lacs(previous year Rs 1.49 lacs)]	1.17	1.17
	<u>2,971.37</u>	<u>1,183.87</u>

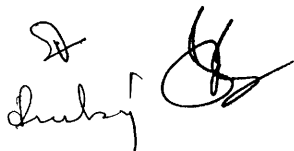
Includes Rs. 2723.80 lacs (previous year Rs 500.00 lacs) being advance for purchase of Certified Emission Rights (CERs)

Subby

PTC INDIA FINANCIAL SERVICES LIMITED

	As at 31.12.2010 (Rupees in lacs)	As at 31.03.2010 (Rupees in lacs)
SCHEDULE - 12 CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors		
Total outstanding dues of creditors other than micro and small enterprises * (Refer note 12 to schedule 19)	406.62	58.83
Other liabilities	37.08	10.63
Interest accrued but not due on loan funds	1,306.19	718.59
	<u>1,749.89</u>	<u>788.05</u>
PROVISIONS		
Provision for gratuity [Refer note 6 (A) to schedule 19]	3.91	0.57
Provision for leave encashment [Refer note 6 (B) to schedule 19]	14.67	3.76
Contingent provision against standard assets (Refer note 18 to schedule 19)	157.96	-
	<u>176.54</u>	<u>4.33</u>
	<u>1,926.43</u>	<u>792.38</u>

* Includes Rs. 57.41 lacs (previous year Rs Nil) due to PTC India Limited, the holding Company



PTC INDIA FINANCIAL SERVICES LIMITED

	Nine months ended 31.12.2010 <u>(Rupees in lacs)</u>	Year ended 31.03.2010 <u>(Rupees in lacs)</u>
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SCHEDULE - 13 INCOME FROM INVESTMENTS

Profit on sale of long term trade investments		
- Equity shares	1,236.63	-
Profit on sale of non trade current investments		
- Mutual funds	-	0.60
Dividend income		
- On non trade long term investment	0.90	1.13
- On non trade current investment	<u>119.89</u>	<u>463.01</u>
Interest on debentures	56.82	1,663.32
[tax deducted at source Rs.5.68 lacs (previous year Rs 176.37 lacs)]		
	<u><u>1,414.24</u></u>	<u><u>2,128.06</u></u>

SCHEDULE - 14 INTEREST INCOME

Interest on		
- Loan	5,412.95	1,357.37
[tax deducted at source Rs.541.29 lacs (previous year Rs.150.05 lacs)]		
	<u><u>5,412.95</u></u>	<u><u>1,357.37</u></u>

SCHEDULE - 15 OTHER INCOME

Interest on fixed deposits	380.53	1,393.88
[tax deducted at source Rs.43.85 lacs (previous year Rs.181.38 lacs)]		
Professional and consultancy	19.00	-
Interest-others	0.03	0.02
Other miscellaneous income	6.31	-
Excess provision written back	-	1.80
	<u><u>405.87</u></u>	<u><u>1,395.70</u></u>

SCHEDULE - 16 PERSONNEL EXPENSES

Salaries and other allowances	113.68	114.54
Contribution to provident and other funds	5.12	5.84
Employee stock option outstanding	(81.18) *	113.98
Staff welfare	<u>25.99</u>	<u>22.54</u>
	<u><u>63.61</u></u>	<u><u>256.90</u></u>

* Due to forfeiture/ surrender of Employee Stock Options Outstanding during the period
(refer note 5 of Schedule 19)

PTC INDIA FINANCIAL SERVICES LIMITED

	Nine months ended 31.12.2010 (Rupees in lacs)	Year ended 31.03.2010 (Rupees in lacs)
SCHEDULE - 17 ADMINISTRATIVE AND OTHER EXPENSES		
Legal and professional*	127.35	110.81
Fund raising expenses	124.47	86.12
Rates and taxes	2.35	6.41
Insurance expenses	2.55	-
Rent	18.39	12.17
Travelling and conveyance	18.66	17.51
Communication expenses	4.83	5.59
Business development	18.65	1.79
Donation	-	3.00
Directors' sitting fees	4.10	2.40
Repairs and maintenance - others	4.78	4.15
Books and periodicals	0.27	0.72
Loss on foreign currency transaction	-	0.01
Miscellaneous expenses	7.88	6.22
	<u>334.28</u>	<u>256.90</u>

* Includes Rs. 39.25 lacs (previous year Rs 20.70 lacs) towards credit rating agencies

SCHEDULE - 18 INTEREST AND OTHER CHARGES

Interest on rupee term loan from banks	1,354.97	416.06
Interest on debentures	1,503.08	708.06
Financial charges	6.15	36.32
	<u>2,864.20</u>	<u>1,160.44</u>

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PTC INDIA FINANCIAL SERVICES LIMITED

SCHEDULE – 19

NOTES TO ACCOUNTS

1. Background

PTC India Financial Services Limited (“PFS”) is a registered NBFC with Reserve Bank of India. PFS is promoted by PTC India Limited which holds a controlling 77.60% stake and balance 22.40% is equally held by Goldman Sachs Strategic Investments Limited (GS) and Macquarie India Holdings Limited (MQ). PFS is set up with an objective to provide total financing solutions to the energy value chain which includes investing in equity or extending debt to power projects in generation, transmission, distribution, fuel resources and fuel related infrastructure.

2. Significant accounting policies

(i) Basis of accounting

These financial statements have been prepared to comply in all material aspects with all the applicable accounting principles in India, the applicable accounting standards notified under section 211(3C) of the Companies Act, 1956, the relevant provisions of the Companies Act, 1956 and the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. (Also refer to note 3 below).

(ii) Use of estimates

The preparation of financial statements requires the management of the Company to make estimates and assumptions that affect the reported balances of assets and liabilities, revenues and expenses and disclosures relating to the contingent liabilities. The management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

(iii) Fixed assets including intangible assets and depreciation

Fixed assets including intangible assets are stated at cost less accumulated depreciation/amortisation. Cost of acquisition comprises purchase price, duties, levies and any directly attributable cost of bringing the asset to its working condition for the intended use.

Depreciation on fixed assets (other than intangible assets) is charged on a pro-rata basis at the written down value rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing upto Rs. 5,000 are fully depreciated in the year of purchase.

Intangible assets comprising of software are amortised on a straight line method over a period of 5 years or less depending on the estimated useful life of the assets.

(iv) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Long Term Investments are stated at cost. A provision for diminution (if any) is made to recognize a decline other than temporary in the value of investment. Current Investments are carried at the lower of cost and fair value.



(v) **Revenue recognition**

- a) Interest and other dues are accounted on accrual basis.
- b) Dividend is accounted when the right to receive is established.
- c) Fee based incomes are recognised when reasonable right of recovery is established and the revenue can be reliably measured.
- d) Revenue from Power Supply is accounted on accrual basis.

(vi) **Employee stock options**

The Company calculates the employee stock compensation expense based on the intrinsic value method wherein the excess of intrinsic price of underlying equity shares as on the date of the grant of options over the exercise price of the options given to employees under the Employee Stock Option Scheme of the Company, is recognized as deferred stock compensation expense and is amortized over the vesting period of options.

(vii) **Employee benefits**

Provident fund is a defined contribution scheme and the contributions are charged to the profit and loss account of the year when the contributions to the government funds are due.

Gratuity liability and long term employee benefits are provided on the basis of actuarial valuation made at the end of each financial year as per projected unit credit method.

Gains and losses arising out of actuarial valuations are recognized immediately in the profit and loss account as income or expense.

Liability for leave encashment and gratuity in respect of employees on deputation with the company are accounted for on the basis of terms and conditions of the deputation agreement with the holding company.

(viii) **Foreign currency transactions**

Transactions in foreign currency are recorded at the exchange rates prevalent at the time of transaction. Differences on settlement of such transactions are recognized in the profit and loss account. All monetary items denominated in foreign currency at the balance sheet date are translated at the year end rates and resultant exchange differences are recognized in profit and loss account.

(ix) **Earnings per share (EPS)**

The earnings considered in ascertaining the Company's EPS comprises the net profit after tax (and includes the post tax effect of any extra ordinary items) attributable to equity shareholders. The number of shares used in computing Basic EPS is the weighted average number of shares outstanding during the year. The diluted EPS is calculated on the same basis as basic EPS, after adjusting for the effect of potential dilutive equity shares.

(x) **Taxation**

Provision for current taxation is ascertained on the basis of assessable profits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred Tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one

period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized on unabsorbed depreciation and carried forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized.

(xi) **Provisions and contingencies**

Provisions are recognized when the Company has a present obligation as a result of past events, for which it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions required to settle are reviewed regularly and are adjusted where necessary to reflect the current best estimates of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that probably will not require an outflow of resources or where a reliable estimate of obligation can not be made.

3. Due to the limited use of the financial statements for the proposed initial public offering of equity shares, the Company has not prepared a comparable profit and loss account and the statement of cash flows for the nine months period ended December, 31 2009 as required in consonance with Accounting Standard – 25 ‘Interim Financial Reporting’ notified under the Companies (Accounting Standards) Rules, 2006.
4. Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. 0.84 lacs (previous year Rs. 9.60 lacs).

5. **Employee Stock Option**

The Company instituted the Employee Stock Option Plan – ESOP 2008 to grant equity based incentives to all its eligible employees. During the year ended March 31, 2009, the first tranche of ESOP was approved by the shareholders on October 27, 2008 and the Company granted two types of options i.e. Growth options granted to the employees and exercisable at intrinsic value as on the date of grant as certified by an independent valuer and Founder Member Options exercisable at face value of shares i.e. Rs. 10 per share, representing one share for each option upon exercise. Further, during the year ended March 31, 2010, second tranche of ESOP 2008 was approved by the shareholders on October 23, 2009 and provided for grant of 10,075,000 growth options exercisable at a price of Rs. 16 per share, representing one share for each option upon exercise. The maximum tenure of these options granted is 4 years from the respective date of grant.

Movement in Stock Options	Nine months ended 31.12.2010 (in Nos.)		Year ended 31.03.2010 (in Nos.)	
	Growth Options	Founder Member Options	Growth Options	Founder Member Options
Outstanding at the beginning of the period/ year	18,395,500	1,210,000	8,865,000	1,210,000
Add: Granted during the period/ year	-	-	10,075,000	-
Less: Forfeited/ surrender during the period/ year	13,928,900	1,200,000	544,500	-
Options outstanding as at the end of the period/ year	4,466,600	10,000	18,395,500	1,210,000

The fair value of each stock option granted under ESOP 2008 as on the date of grant has been computed using Black-Scholes Option Pricing Model without inclusion of Dividend Yield and the model inputs are given as under:

	Options granted during the year ended March 31, 2010	Options granted during the year ended March 31, 2009	
	Growth Options	Growth Options	Founder member Options
Price Per Option (Rs.)	16	16	10
Volatility	29.64%	73.60%	73.60%
Risk Free Rate of Interest	7.27%	7.00%	7.00%
Option Life (years)	5	5	5
Fair Value Per Option	10.55	11.36	12.76

There is no history of dividend declaration by the Company, hence the dividend yield has been assumed as Nil.

Effect of fair valuation on Financial Position

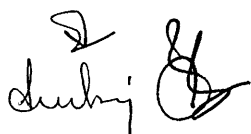
1. Impact on Profitability

(Rupees in lacs)

Particulars	Nine months ended 31.12.2010	Year ended March 31, 2010
Profit as reported for the period / year	3121.82	2545.24
Add: Employee stock compensation under intrinsic value method	(81.18)	113.98
Less: Employee stock compensation under fair value method	(476.38)	624.62
Pro forma profit	3517.02	2034.60

2. Impact on Basic/diluted EPS

Particular	Nine month ended 31.12.2010	Year ended 31.03.2010
- As reported (in Rupees)		
Basic	0.72	0.59
Dilutive	0.70	0.59
- As pro forma (in Rupees)		
Basic	0.81	0.47
Dilutive	0.70	0.47



6. Disclosures required as per AS – 15 (Revised) “Employee Benefits”

(A) Gratuity

Changes in the present value of the defined benefit obligation:

(Rupees in lacs)

	Nine months ended 31.12.2010	Year ended 31.03.2010
Opening defined benefit obligation	0.57	0.53
Current service cost	1.16	0.42
Interest cost	0.03	0.04
Actuarial losses / (gains)	2.15	(0.42)
Closing defined benefit obligation	3.91	0.57

Reconciliation of present value of defined benefit obligation and fair value of plan assets

(Rupees in lacs)

	Nine months ended 31.12.2010	Year ended 31.03.2010
Closing defined benefit obligation	3.91	0.57
Closing fair value of plan assets	-	-
Net asset/(liability) recognized in balance sheet	(3.91)	(0.57)

Expense recognized in profit and loss account

(Rupees in lacs)

	Nine months ended 31.12.2010	Year ended 31.03.2010
Current service cost	1.16	0.42
Interest cost	0.03	0.04
Net actuarial losses / (gains)	2.15	(0.42)
Net expense	3.34	0.04

(B) Leave encashment

Changes in the present value of the defined benefit obligation:

(Rupees in lacs)

	Nine months ended 31.12.2010	Year ended 31.03.2010
Opening defined benefit obligation	3.76	1.76
Current service cost	3.55	2.42
Interest cost	0.22	0.13
Actuarial losses / (gains)	7.14	(0.55)
Closing defined benefit obligation	14.67	3.76

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Reconciliation of present value of defined benefit obligation and fair value of plan assets

(Rupees in lacs)

	Nine months ended 31.12.2010	Year ended 31.03.2010
Closing defined benefit obligation	14.67	3.76
Closing fair value of plan assets	-	-
Net asset/(liability) recognized in balance sheet	(14.67)	(3.76)

Expense recognized in profit and loss account

(Rupees in lacs)

	Nine months ended 31.12.2010	Year ended 31.03.2010
Current service cost	3.55	2.42
Interest cost	0.22	0.13
Net actuarial losses / (gains)	7.14	(0.55)
Net expense	10.91	2.00

- C) The principal assumptions used in determining defined retirement obligations for the Company's plans are shown below:

(Rupees in lacs)

	Nine month ended 31.12.2010	Year ended 31.03.2010
Discounting Rate	8.00%	7.50%
Future Salary Increase	5.50%	5.00%

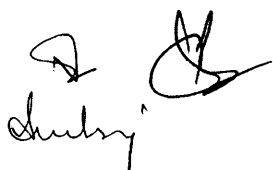
The estimates of future salary increases considered in actuarial valuation take into account inflation, seniority, promotion and other relevant factors on long term basis.

- D) In respect of the defined contribution plans, the Company has recognized the following amounts in the profit and loss account:

(Rupees in lacs)

	Nine month ended 31.12.2010	Year ended 31.03.2010
Employer's contribution to provident fund	5.12	5.84

7. The Company's main business is to provide finance for energy value chain through investment and lending into such projects. All other activities revolve around the main business. The Company does not have any geographic segments. As such, there are no separate reportable segments as per Accounting Standard 17 on 'Segment Reporting' notified under the Companies (Accounting Standards) Rules, 2006.



8. Related party disclosures

(a) List of related parties and relationships

Related parties where control exists or with whom transactions have taken place during the period/year are given below:

Holding company	: PTC India Limited
Associate companies	: Ind-Barath Energy (Utkal) Limited : Ind-Barath Power Gencom Limited : Indian Energy Exchange Limited : Meenakshi Energy Private Limited : PTC Bermaco Green Energy Systems Ltd : RS India Wind Energy Limited : Varam Bio Energy Private Limited
Key management personnel	: Mr. Ashok Haldia

(b) Details of related party transactions in the ordinary course of the business:

(i) Transactions with holding company

(Rupees in lacs)

Nature of transactions	Nine month ended 31.12.2010	Year ended 31.03.2010
Reimbursement of expenses *	140.80	109.34
Balances outstanding as at the period end - Payable	57.41	-

* Includes Rs. 22.31 lacs (previous year Rs. 28.94 lacs) towards remuneration of Director.

(ii) Transactions with key management personnel

(Rupees in lacs)

Nature of transactions	Nine month ended 31.12.2010	Year ended 31.03.2010
Reimbursement of expenses	1.30	1.05
Remuneration paid**	22.31	31.91

** Also included under reimbursement of expenses to holding company as disclosed at (i) above.




(iii) Transactions with associates

(Rupees in lacs)

Nature of transactions	Nine month ended 31.12.2010	Year ended 31.03.2010
Investment in equity share capital :		
- Ind Barath Energy (Utkal) Limited	-	10,500.00
- Meenakshi Energy Private Limited	1679.11	2,855.00
- PTC Bermaco Green Energy Systems Limited	53.09	35.28
- Varam Bio Energy Private Limited	-	27.81
- R S India Wind Energy Limited	381.00	-
Advance against investment :		
- PTC Bermaco Green Energy Systems Limited	-	52.95
Investment in debentures		
- Varam Bio Energy Private Limited	250.00	200.00
Sale of investment in equity share capital (at face value)		
- India Energy Exchange Limited	117.32	-
Investment balances outstanding at the balance sheet date :		
- Ind Barath Energy (Utkal) Limited	10,500.00	10,500.00
- Ind Barath Power Gencom Limited	5,563.00	5,563.00
- Indian Energy Exchange Limited	576.60	693.92
- Meenakshi Energy Private Limited	6034.11	4,355.00
- PTC Bermaco Green Energy Systems Limited	137.46	84.37
- RS India Wind Energy Limited	6112.14	5,731.14
- Varam Bio Energy Private Limited	439.00	439.00
Advance against Investment as on the Balance sheet date		
- PTC Bermaco Green Energy Systems Limited	-	53.10
Investment in debentures as on the Balance sheet date		
- Varam Bio Energy Private Limited	450.00	200.00

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9. Earnings per share

	Nine month ended 31.12.2010	Year ended 31.03.2010
Profit after tax attributable to equity shareholders (Rupees in lacs) (a)	3121.82	2,545.24
Weighted Average number of equity shares outstanding during the year (Nos.) (b)	434,583,335	434,583,335
Effect of potential dilutive equity shares on Employee Stock Options outstanding * (c)	950,331	-
Weighted average number of equity shares in computing diluted earnings per share [(b)+(c)]	435,533,666	434,583,335
Basic earnings per share of face value Rs. 10 each (in Rupees)	0.72	0.59
Diluted earnings per share of face value Rs. 10 each (in Rupees)	0.70	0.59

* There were no dilutive potential equity shares for the year ended 31.03.2010.

10. Deferred tax

The breakup of deferred tax assets/ (liabilities) as at December 31, 2010 is as under:

	Balance as at 31.03.2010	Movement during the period	Balance as at 31.12.2010
(Rupees in lacs)			
Deferred tax asset arising on account of timing differences in :			
- Preliminary expenses	23.47	(8.80)	14.67
- Provision for retirement benefits	1.44	4.73	6.17
- Contingent provision against Standard asset	-	52.47	52.47
Less:			
Deferred tax liability arising on account of timing differences in :			
- Depreciation	462.42	329.32	791.74
Net deferred tax (liabilities)	(437.51)	(280.92)	(718.43)

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11. The percentage holding and the investment in associate companies as at December 31, 2010 is given below:

Name of the associate company	Country of incorporation	% holding	Face value Rupees per share	As at December 31, 2010 (Rupees in lacs)	As at March 31, 2010 (Rupees in lacs)
Ind-Barath Energy (Utkal) Limited	India	20.55%	10	10,500.00	10,500.00
Ind-Barath Power Gencom Limited	India	26%	10	5,563.00	5,563.00
Meenakshi Energy Private Limited	India	20.41%	10	6034.11	4,355.00
Indian Energy Exchange Limited	India	21.12%	10	576.60	693.92
PTC Bermaco Green Energy Systems Ltd.	India	26%	10	137.46	84.37
RS India Wind Energy Limited	India	37%	10	6112.14	5,731.14
Varam Bio Energy Private Limited	India	26%	10	439.00	439.00
Total				29362.31	27,366.43

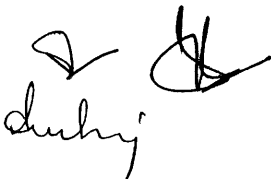
12. Based on the information available with the Company, there are no dues as at December 31, 2010 payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006". No interest is paid / payable by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006.

13. Total number of electricity units generated and sold during the period – 9,583,012 KWH (previous year: 3006 KWH).

14. **Managerial remuneration:**

	(Rupees in lacs)	
	Nine months ended 31.12.2010	Year ended 31.03.2010
Salary and allowances	20.76	27.61
Perquisites	0.48	2.87
Contribution to provident funds	1.07	1.43
Total	22.31	31.91

Note: The above figures do not include leave encashment and gratuity as it is provided in the books on the basis of actuarial valuation for the Company as a whole and hence individual amount cannot be determined.


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15. Auditors' remuneration (excluding service tax)

(Rupees in lacs)

	Nine months ended 31.12.2010	Year ended 31.03.2010
Statutory audit	-	5.00
Tax audit	-	1.50
Other services (including limited review and audit of interim financial statements and other miscellaneous certificate)	14.58	2.50
Total	14.58	9.00

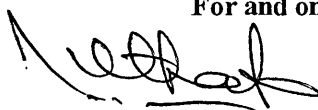
16. Expenditure incurred in foreign currency

(Rupees in lacs)

	Nine months ended 31.12.2010	Nine months period ended 31.12.2009
Front end fees	-	13.65
Travelling	5.30	0.45
Other	5.31	0.12
Total	10.61	14.22

17. During the current period, the Company has filed a Draft Red Herring Prospectus with the Securities and Exchange Board of India proposing to bring out an Initial Public Issue of its equity shares. Share issue expenses amounting to Rs. 186.89 lacs are being carried in the balance sheet as miscellaneous expenditure (to the extent not written off or adjusted) pending issue of shares. On completion of issue of shares, these will be adjusted against the securities premium account.
18. As a matter of prudence, the Company has given effect to an RBI Circular No. DNBS.PD.CC.No.207/ 03.02.002 /2010-11 dated 17th January, 2011 and accordingly created provision for contingencies against standard assets in its financial statement for the nine months period ended December 31, 2010.
19. Previous year's figures are for the period of 12 months and the current period's figures are for the period of nine months, hence not comparable.
20. Previous period's figures have been regrouped / recast wherever considered necessary to conform to current period's classification.
21. Schedules 1 to 19 and the statement of additional information form an integral part of the accounts.

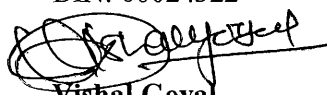
For and on behalf of the Board of Directors



T. N. Thakur
Chairman and
Managing Director
DIN: 00024322



Ashok Haldia
Director
DIN: 00818489



Vishal Goyal
Company Secretary

Place : New Delhi
Date : 01/03/2011

