

**DIRECTORS REPORT**

To,

The Members

The Directors have pleasure in presenting their 7th Annual report and Audited Accounts for the financial year ended March 31, 2014.

**1. STATE OF AFFAIRS OF THE COMPANY**

Performance of the Company

**Commissioning of Unit 1**

We are pleased to inform you that your Company commenced commercial operations of Unit 1 in the financial year 2013-14 and Commercial Operations Date (COD) was declared on February 1, 2014. The brief particulars about capacity installed and generation during the financial year is as below:

Particulars	Units
Licensed Capacity	1400 MW
Installed Capacity	700 MW
Actual Generation	379.93 mio units

**Fuel**

Fuel Supply Agreement (FSA) has been signed between the Company and South Eastern Coalfields Limited (SECL) during the financial year 2013-14 for an annual quantity of 5.55 MTPA.

**FINANCIAL RESULTS**

Your Directors take pleasure in presenting the financial highlights for the financial year 2013-14 which is as follows:

Particulars	Amount (in ₹ Lakhs)	
	FY 2013-14	FY 2012-13
Revenue from Power Plant Operations	18,772.17	–
Finance Lease Income	10,233.17	–
Sale of O&M of Plant	8,538.32	–
Revenue from Construction Activities	2,64,616.58	3,26,168.69
<b>Total Revenue</b>	<b>2,83,388.75</b>	<b>3,26,168.69</b>
Operating Costs	11,886.47	–
Construction Costs	2,17,174.67	3,04,532.13
<b>Total Costs</b>	<b>2,29,061.14</b>	<b>3,04,532.13</b>
Operating Profit	54,327.61	21,636.56
Add: Other Income	336.62	310.27
Less: Finance Costs	56,938.79	31,631.21
Profit before Depreciation	(2,274.56)	(9,684.38)
Less: Depreciation & Amortization	32.79	23.44
<b>Profit Before Tax</b>	<b>(2,307.34)</b>	<b>(9,707.82)</b>
Less: Tax	–	–
<b>Net Profit / (Loss) after Tax</b>	<b>(2,307.34)</b>	<b>(9,707.82)</b>

**Sale of energy:** The power generated from Unit 1 as per the Contracted Capacity under the Power Purchase Agreement (PPA) was sold to Punjab State Power Corporation Limited (PSPCL) and the total turnover amounted to ₹ 18,772.17 Lakhs.

**Sales during Construction phase:** During the year, ₹ 2,64,616.58 lakhs was recognized as Construction Work-in-Progress (WIP) at realizable sales value towards construction costs of Unit 1 & Unit 2.

**2. APPROPRIATION**

During the year under review, your Company has not made any appropriations.

**3. DIVIDENDS**

Your Company commenced operations of Unit 1 in the current year and Unit 2 being under construction, your Directors are not recommending dividend for the year 2013-14.

**4. CAPITAL AND FINANCE****Long Term Debt**

Secured term loan of ₹ 7,200 Crores has been sanctioned to the Company through syndication of 24 Banks against the security of mortgage and hypothecation of its assets and receivables over the period of loan. Part of this sanctioned loan is refinanced through External Commercial Borrowing (ECB) route for JPY 10,462.3 Million.

**Working Capital**

Your Company has entered into Working Capital arrangement with an existing lender bank for fund based facility of ₹ 150 crs and non-fund facility of ₹ 100 crs during the year to meet the working capital requirements during operations.

**Credit Rating**

The Company has been rated as 'CARE A1' for its working capital facility and continues to be rated as 'CARE A' for its long term loan facility by Credit Analysis and Research Limited (CARE).

**5. CAPITAL EXPENDITURE**

As at March 31, 2014, the gross tangible and intangible assets, including capital work-in-progress stood at ₹ 24,08,14,538. Depreciation of ₹ 1,42,11,295 is charged up to March 31, 2014. Additions during the year amounted to ₹ 34,55,219 and deduction of tangible assets ₹ 2,36,756.

**6. AUDITORS' REPORT**

The Auditors' report does not contain any qualifications. The notes on financial statements referred in the Auditors' report are self-explanatory and do not call for any further comments of the Directors.

**7. DEPOSITS**

The Company has not accepted any deposits from the public.

**8. MATERIAL CHANGES, IF ANY, BETWEEN DATE OF THE BALANCE SHEET AND DATE OF THE DIRECTORS' REPORT**

There are no material changes that have taken place in the Company between the date of the Balance sheet and the date of the Directors' Report.

- Conservation of energy, technology absorption and foreign exchange earnings and outgo as per form A (rule 2) of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

Information as per form A (rule 2) of Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is provided in Annexure "A" forming part of this Report.

**9. RISK MANAGEMENT POLICY**

A risk management policy has been formulated and implemented to identify, mitigate and review the risks, which in the opinion of the Board, threaten the existence of the Company.

**10. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Your Company realizes its responsibility to its stakeholders, especially to the society at large and taken several initiatives towards repaying to the society.

Your Company has contributed to the socio-economic development of the nearby area by undertaking initiatives during the year under review in the following areas:

- Up-gradation of Village Infrastructure
- Incentivizing birth of female child
- Shagan scheme to provide financial assistance
- Skill building and development programs
- Health and environment programs

During the year, your Company formed a CSR committee in order to formulate, recommend and monitor CSR policy of the Company.

**11. PARTICULARS OF EMPLOYEES U/S 217(2A)**

There are no employees covered by the provisions of the Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975.

**12. SUBSIDIARY COMPANIES**

Your Company does not have any subsidiary company under its purview.

**13. DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of your Company confirms that:

- i. in the preparation of the annual accounts, the applicable Accounting Standards have been followed;
- ii. 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 as at the end of the financial year and loss of the Company for the that period.
- iii. the Directors have 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;
- iv. the Directors have prepared annual accounts on a going concern basis; and
- v. the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**14. DIRECTORS**

At present, the Board comprises of Mr. Shailendra Roy, Mr. Ashwani Kumar, Mr. Sunil S. Sapre and Mr. Ajit Kumar Samal.

In the ensuing Annual General Meeting, Mr. Shailendra Roy and Mr. Sunil Sapre are liable to retire by rotation and being eligible offer themselves for re-appointment.

The Board met regularly during the year under review.

**15. AUDIT COMMITTEE**

The Audit Committee consists of three Non-Executive Directors. The present members of the Committee are Mr. Shailendra Roy, Mr. Ashwani Kumar and Mr. Sunil S. Sapre.

The Committee met periodically during the year under review.

**16. AUDITORS**

The Auditors, M/s Sharp & Tannan, Chartered Accountants, being Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141(3)(g) of the Companies Act, 2013 .

**17. COST AUDITORS**

Pursuant to The Companies (Cost Audit Record) Rules, 2011 issued by the Ministry of Corporate Affairs on June 03, 2011, the Company is required to appoint a Cost Auditor and file the Cost Audit Report with the Registrar of Companies. Unit 1 of the plant commenced generation of electricity during the year and hence cost audit is applicable for the financial year 2013-14.

In this regard M/s. R. Nanabhoy & Co, Cost Accountants having Membership Number 0010 were appointed as Cost Auditors vide the Circular Resolution of the Board dated June 4, 2013 for Cost Audit for the financial year 2013-14 .

**18. ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the Financial Institutions, Bankers, Regulatory Authorities, employees of the Company and management of the parent company.

For and on behalf of the Board

Place : Mumbai

Date : April 25, 2014

**SHAIENDRA ROY**

*Director*

**ASHWANI KUMAR**

*Director*

## **ANNEXURE “A” TO THE DIRECTORS REPORT**

### **[A] CONSERVATION OF ENERGY**

#### **Energy Conservation Measures taken**

Several Energy Conservation measures have been implemented in the design stage itself and performance of these measures shall be monitored regularly and several other new initiatives will also be launched. Major steps taken towards Energy Conservation during the Construction Phase of the Project are described as under:-

#### **1. Improving Energy effectiveness/ efficiency of Manufacturing Processes**

- i. Installation of NDCT in Place of IDCT - Natural Draft Cooling tower has been constructed in place of the conventional Induced Draft Cooling Towers for the units. There is no additional Auxiliary Power Consumption in NDCT to perform the cooling action for the circulating water as against IDCT
- ii. Installation of Turbine Driven Boiler Feed Pump (TDBFP) as against Motor Drive Boiler Feed Pumps (MDBFP) which results in conservation of energy and corresponding improvement in efficiency.
- iii. Vertical Water Wall internally Riffled Tube Construction in Place of Spiral Water Wall which results in lower pressure drop on furnace walls and thus reduces the loading of Boiler feed pumps
- iv. Bypass valve in Secondary Pass of Boiler: The valve provides a bypass to secondary pass and thus results in lower flow in the pass in place of total flow as required in conventional boiler.
- v. Pulveriser with Motorised Rotatory Separator: This provides better control over Coal fineness under variable load conditions and thus contributes to improve the Boiler Efficiency.
- vi. Installation of Online Condenser Tube Cleaning System (OLTCS): OLTCS will improve the efficiency of condenser and thus overall efficiency of the unit is improved.
- vii. Installation of Seal Adjustment Damper in Air Pre Heaters: The damper is used to adjust the seal in order to reduce the air leakages which results in reduction of loading of fans.

#### **2. Improving Energy effectiveness/ efficiency of Equipment**

- i. **Use of LED Illumination:** Area illumination has been installed with LED having less energy consumption as compared to conventional Sodium based flood lights.

Additional investments and proposals, if any, being implemented for reduction of consumption of energy

The Company is in the process of identification of the areas of improvement to reduce the Consumption of Energy during its operation phase and is committed to implement the same in near future in order to improve the efficiency of the plant.

Impact of the measures at (A) and (B) above for reduction of energy consumption and consequent impact on the cost of production

- Reduction of Specific Coal consumption
- Impact on the cost of production of goods
- Reduced auxiliary power consumption, Heat Rate improvement
- Reduction of Specific Oil consumption

### **[B] TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO**

There was no technology absorption during the year 2013-14.

### **[C] FOREIGN EXCHANGE EARNINGS AND OUTGO**

There was no earnings and outgo in foreign currency during the year 2013-14.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF NABHA POWER LIMITED**

#### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of **NABHA POWER LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Company Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Unit's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **OPINION**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the statement of Profit and Loss, of the loss for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by section 227(3) of the Act, 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 purpose of our audit;
  - 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 Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13 September 2013, of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013; and
  - e. on the basis of the written representations received from directors of the Company as on March 31, 2014, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of section 274(1)(g) of the Companies Act, 1956.

**SHARP & TANNAN**  
*Chartered Accountants*  
ICAI Registration No. 000452N  
By the hand of

**MILIND P. PHADKE**  
*Partner*  
Membership No. 33013

Place: Mumbai  
Date: April 25, 2014

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in Paragraph 1 of our report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of all fixed assets.
- (b) As explained to us, fixed assets have been physically verified by the management, in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size of the Company and nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of its fixed assets during the year, so as to affect its going concern status.
- (ii) (a) As explained to us, the inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
- (b) As per the information given to us, the procedures of physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
- (iii) (a) Paragraphs 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 concerning loans granted by the company are not applicable to the Company.
- (b) Paragraphs 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 concerning loans taken by the company are not applicable to the Company.
- (iv) According to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered.
- (b) in our opinion and according to the explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Companies Act and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits covered u/s 58A and 58AA or any other provision of the Companies Act, 1956.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) The Central Government has prescribed maintenance of cost records under Clause (d) of sub section (1) section 209 of the Companies Act, 1956 (G.S.R. No 913(E) dt. 21.12.2001, as amended vide G.S.R. 709(E) dated 7th December, 2005 & G.S.R. 378(E) dated June 27, 2006) which have been maintained by the Company and these have been broadly reviewed by us and we are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) According to the information and explanations given to us, in our opinion, the Company has been regular in depositing 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 statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts were in arrears as at March 31, 2013, for a period of more than six months from the date they become payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of income tax, sales tax, service tax, excise duty and cess as at March 31, 2014 which have not been deposited on account of dispute:

Particulars	Amount
Income Tax Act, 1961 – Income Tax	
A.Y. 2009-10 (Company is in process of filing appeal before the commissioner of I.T. Dept.)	1,05,64,450

- (x) The Company has suffered cash losses of ₹ 22,71,71,678/- during the year and its accumulated losses at the end of the financial year are ₹ 1,15,34,32,523/-.
- (xi) According to the information and explanations given to us, in our opinion the Company has not defaulted in the repayment of dues to any financial institutions or bank as at the balance sheet date.
- (xii) According to the information and explanations given to us and based on documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund/nidhi/mutual benefit fund/society and hence reporting under clause 4(xiii) (a), (b), (c) & (d) of the Companies (Auditor's Report) Order 2003 does not arise.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures. The Company has invested surplus funds in mutual funds. According to the information and explanations given to us, proper

## NABHA POWER LIMITED

records have been made of the transactions and contracts and timely entries have been made therein. The investments in mutual funds have been held by the Company in its own name.

- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by associates and others, from bank or financial institutions during the year.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been applied for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year hence reporting under clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xix) The Company has not issued any debentures during the year and accordingly no securities or charge has been created, hence reporting under clause 4 (xix) of the Companies (Auditor's Report) Order, 2003 does not arise.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, paragraph 4 (xx) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
- (xxi) During the course of our examination of books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.
- (xxii) During the course of our examination of books and records of the Unit, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Unit, noticed or reported during the year, nor have we been informed of such case by the management.

**SHARP & TANNAN**

*Chartered Accountants*

*ICAI Registration No. 000452N*

*By the hand of*

**MILIND P. PHADKE**

*Partner*

*Membership No. 33013*

*Place: Mumbai*

*Date: April 25, 2014*

**BALANCE SHEET AS AT MARCH 31, 2014**

	Note No.	As at 31.03.2014		As at 31.03.2013	
		₹	₹	₹	₹
<b>EQUITY AND LIABILITIES:</b>					
<b>Shareholders' funds:</b>					
Share Capital	A	23,25,00,00,000		11,47,00,00,000	
Reserves and Surplus	B	(1,15,34,32,523)		(92,26,98,038)	
			22,09,65,67,477		10,54,73,01,962
<b>Share application money pending allotment</b>			-		2,26,00,00,000
<b>Non-Current Liabilities</b>					
Long term borrowings	C (I)	41,81,06,77,282		34,11,98,33,197	
Other Long term liabilities	C (II)	13,36,78,029		-	
			41,94,43,55,311		34,11,98,33,197
<b>Current Liabilities</b>					
Short term borrowings	D(I)	16,61,16,79,685		7,48,50,41,228	
Current Maturities of Long Term Borrowings	D(II)	2,37,88,93,592		-	
Trade Payables	D(III)	10,91,75,38,078		13,52,26,52,011	
Other current liabilities	D(IV)	1,35,36,67,421		46,63,59,180	
Short-term provisions	D(V)	42,32,223		27,05,824	
			31,26,60,10,999		21,47,67,58,243
<b>TOTAL</b>			<b>95,30,69,33,787</b>		<b>68,40,38,93,402</b>
<b>ASSETS</b>					
<b>Non-Current assets</b>					
Fixed Assets					
Tangible assets	E (I)	1,23,59,957		1,24,67,544	
Capital Work in Progress	E (I)	21,42,43,286		21,42,43,286	
			22,66,03,243		22,67,10,830
Long-term loans and advances	G (I) (a)	1,01,65,71,093			1,01,59,97,742
Loans and advances towards financing activities	G (I) (b)		47,63,40,09,608		-
<b>Current Assets</b>					
Current Investments	H(I)	5,91,29,605		40,24,20,843	
Inventories	H(II)	92,77,92,024		-	
Trade receivables	H(III)	1,36,93,58,165		-	
Cash and bank balances	H(IV)	7,04,73,479		4,58,30,241	
Short-term loans and advances	H(V)	1,17,68,94,344		3,35,31,60,139	
Loans and advances towards financing activities	H(V)(a)	25,55,00,097		-	
Other Current Assets	H(VI)	42,57,06,02,130		63,35,97,73,607	
			46,42,97,49,843		67,16,11,84,830
<b>TOTAL</b>			<b>95,30,69,33,787</b>		<b>68,40,38,93,402</b>
<b>CONTINGENT LIABILITIES</b>					
<b>OTHER NOTES FORMING PART OF ACCOUNTS</b>					
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
ICAI Registration No. 000452N  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**S R GODBOLE**

F&amp;A Head

**J S GILL**

Manager

**ASHWANI KUMAR**

Director

**SHAIKENDRA ROY**

Director

Place : Mumbai

Date : April 25, 2014

Place : Mumbai

Date : April 25, 2014



**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014**

	Note No.	01.04.2013 to 31.03.2014		01.04.2012 to 31.03.2013	
		₹	₹	₹	₹
<b>REVENUE</b>					
Revenue from operations	K		28,33,88,74,609		32,61,68,68,949
Total Revenue			3,36,62,241		3,10,51,927
<b>TOTAL REVENUE</b>			<b>28,37,25,36,850</b>		<b>32,64,79,20,876</b>
<b>EXPENSES</b>					
Manufacturing, Construction and Operating expenses	M				
Cost of raw materials and components consumed		15,67,52,78,886		22,61,95,58,730	
Purchase of stock-in-trade		-		-	
Stores, spares and tools Consumed		1,20,11,355		-	
Sub-contracting charges		5,40,64,96,535		5,95,86,56,287	
Change in inventories		-		-	
Other manufacturing, construction and operating expenses		1,78,67,05,053		1,06,79,64,278	
Finance cost - Operating Activity		62,68,79,510		-	
Stock Transfer		-		-	
			23,50,73,71,340		29,64,61,79,295
Employee Benefit Expenses	N		26,40,04,474		17,59,82,224
Sales, administration and other expenses	O		(23,86,66,576)		63,10,76,250
Finance Cost	P		5,06,69,99,290		3,16,31,20,895
Depreciation, amortisation and obsolescence expenses	Q (III)		35,62,807		23,43,772
			35,62,807		23,43,772
<b>TOTAL EXPENSES</b>			<b>28,60,32,71,335</b>		<b>33,61,87,02,436</b>
Profit before exceptional and extraordinary items and taxes			(23,07,34,485)		(97,07,81,560)
Profit before extraordinary items and taxes			(23,07,34,485)		(97,07,81,560)
Profit before tax			(23,07,34,485)		(97,07,81,560)
Tax Expense:					
Profit after tax			(23,07,34,485)		(97,07,81,560)
<b>Balance carried to Balance sheet</b>			<b>(23,07,34,485)</b>		<b>(97,07,81,560)</b>
Basic earnings per equity shares (₹)	Q(XI)		(0.15)		(0.97)
Diluted earnings per equity shares (₹)	Q(XI)		(0.13)		(0.94)
Face value per equity shares (₹)			10		10
<b>OTHER NOTES FORMING PART OF ACCOUNTS</b>	Q				
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	R				

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 000452N

by the hand of

**MILIND P. PHADKE**

Partner

Membership No. 33013

**S R GODBOLE**

F&amp;A Head

**J S GILL**

Manager

**ASHWANI KUMAR**

Director

**SHAILENDRA ROY**

Director

Place : Mumbai

Date : April 25, 2014

Place : Mumbai

Date : April 25, 2014

**CASH FLOW STATEMENT FOR YEAR ENDED MARCH 31, 2014**

	For the year ended 31.03.2014 ₹	For the year ended 31.03.2013 ₹
<b>A. Cash flow from operating activities:</b>		
<b>Profit before tax (excluding minority interest, exceptional and extraordinary items)</b>	<b>(23,07,34,485)</b>	<b>(97,07,81,560)</b>
Adjustments for :		
Dividend received	<b>(3,09,52,741)</b>	<b>(3,05,82,008)</b>
(Profit)/loss on sale of investments (net)	<b>(32,443)</b>	<b>(2,32,13,652)</b>
Interest (income)	<b>(20,24,247)</b>	–
Depreciation, amortisation, impairment and obsolescence	<b>35,62,807</b>	<b>23,33,457</b>
Exchange difference on items grouped under financing/investing activity	<b>(24,93,40,604)</b>	<b>(30,92,21,153)</b>
Interest expense	<b>5,64,73,73,466</b>	<b>3,11,89,02,474</b>
(Profit)/loss on obsolescence of fixed assets	<b>1,53,563</b>	–
<b>Operating profit before working capital changes</b>	<b>5,13,80,05,316</b>	<b>1,81,06,51,210</b>
Adjustments for :		
(Increase)/decrease in other current assets	<b>20,78,91,71,477</b>	<b>(32,98,76,01,184)</b>
(Increase)/decrease in Other Loans & Advances	<b>1,92,07,65,698</b>	<b>5,06,19,91,224</b>
(Increase)/decrease in other advances (Non current)	<b>(47,63,45,82,959)</b>	<b>25,38,96,763</b>
(Increase)/ decrease in Debtors	<b>(1,36,93,58,165)</b>	–
(Increase)/ decrease in Inventories	<b>(92,77,92,024)</b>	–
Increase/(decrease) in other payables	<b>(1,58,26,01,264)</b>	<b>8,15,16,12,096</b>
<b>Cash generated from operations before financing activities</b>	<b>(23,66,63,91,921)</b>	<b>(17,70,94,49,891)</b>
(Increase)/decrease in loans and advances towards financing activities		
<b>Cash generated from operations</b>	<b>(23,66,63,91,921)</b>	<b>(17,70,94,49,891)</b>
Direct taxes refund/(paid) (net)	–	–
<b>Net cash (used in)/from operating activities</b>	<b>(23,66,63,91,921)</b>	<b>(17,70,94,49,891)</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	<b>(34,55,219)</b>	<b>(21,93,54,962)</b>
Purchase of intangible assets	–	<b>83,85,979</b>
Profit /(Loss) on Sale of fixed assets	<b>(1,53,563)</b>	–
Purchase/sale of current investments (net)	<b>34,32,91,238</b>	<b>27,05,06,222</b>
Dividend received from other investments	<b>3,09,52,741</b>	<b>3,05,82,008</b>
Profit/(loss) on sale of investments (net)	<b>32,443</b>	–
Interest received	<b>20,24,247</b>	–
<b>Cash (used in)/from investing activities Extraordinary item:</b>	<b>37,26,91,887</b>	<b>9,01,19,248</b>
Extraordinary item:		
Cash received (net of expenses) on sale/transfer of Petroleum Dispensing Pumps & Systems businesses	–	–
<b>Net cash (used in)/ from investing activities (after extraordinary items)</b>	<b>37,26,91,887</b>	<b>9,01,19,248</b>

**CASH FLOW STATEMENT FOR YEAR ENDED MARCH 31, 2014 (Contd.)**

	<b>For the year ended 31.03.2014</b> ₹	<i>For the year ended 31.03.2013</i> ₹
<b>C. Cash flow from financing activities:</b>		
Proceeds from issue of share capital	<b>9,52,00,00,000</b>	4,13,00,00,000
Proceeds from long term borrowings	<b>7,69,08,44,085</b>	16,29,11,71,808
Proceeds from Short term borrowings	<b>11,50,55,32,049</b>	(4,66,47,253)
Translation Reserve on ECB Loan	<b>24,93,40,604</b>	30,92,21,153
Interest paid	<b>(5,64,73,73,466)</b>	(3,11,89,02,474)
<b>Net cash (used in)/ from financing activities</b>	<b>23,31,83,43,272</b>	17,61,14,90,487
<b>Net (decrease)/increase in cash and cash equivalents (A + B + C)</b>	<b>2,46,43,238</b>	(7,840,156)
<b>Cash and cash equivalents at beginning of the year</b>	<b>4,58,30,241</b>	5,36,70,398
Less: Cash and bank balance transferred on subsidiary becoming an associate	-	-
<b>Cash and cash equivalents at end of the year</b>	<b>7,04,73,479</b>	4,58,30,241

**NOTES** 1. Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.

2. Purchase of fixed assets includes movement of capital work-in-progress during the year. (*previous year unrealised loss of ₹ 5.18 crore*) on account of translation of foreign currency bank balances.

3. For cash and cash equivalents not available for immediate use as on the Balance Sheet date, please refer Note no.G(II) of Notes forming part of consolidated accounts.

4. Cash and cash equivalents are reflected in the Balance Sheet as follows:

	<b>For the year ended 31.03.2014</b>	<i>For the year ended 31.03.2013</i>
(a) Cash and cash equivalents disclosed under current assets [Note no.H(IV)]	<b>70,473,479</b>	45,830,241
(b) Cash and cash equivalents disclosed under non-current assets [Note no.G(I)]	-	-
<b>Total cash and cash equivalents as per Cash Flow Statement</b>	<b>45,830,241</b>	53,670,398

5. Previous year's figures have been regrouped/reclassified wherever applicable.

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants

ICAI Registration No. 000452N

by the hand of

**MILIND P. PHADKE**

Partner

Membership No. 33013

**S R GODBOLE**

F&A Head

**J S GILL**

Manager

**ASHWANI KUMAR**

Director

**SHAILENDRA ROY**

Director

Place : Mumbai

Date : April 25, 2014

Place : Mumbai

Date : April 25, 2014

**NOTES FORMING PART OF THE ACCOUNTS**

	As at 31.03.2014		As at 31.03.2013	
	Number of shares	₹	Number of shares	₹
<b>NOTE - A SHARE CAPITAL</b>				
<b>Authorised</b>				
Equity shares of ₹ 10 each	2,40,00,00,000	24,00,00,00,000	2,40,00,00,000	24,00,00,00,000
<b>Issued</b>				
Equity shares of ₹ 10 each	2,35,00,00,000	23,50,00,00,000	1,14,70,00,000	11,47,00,00,000
<b>Subscribed and paid up</b>				
Equity shares of ₹ 10 each	2,35,00,00,000	23,50,00,00,000	1,14,70,00,000	11,47,00,00,000
(All shares are held by L&T Power Development Limited and its nominees as at 31.03.2014)				
<b>TOTAL</b>		<b>23,50,00,00,000</b>		<b>11,47,00,00,000</b>
	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
<b>NOTE - B RESERVES AND SURPLUS</b>				
Profit and Loss Account				
Opening Balance	(92,26,98,038)		4,80,83,522	
Profit for the period	(23,07,34,485)		(97,07,81,560)	
		<b>(1,15,34,32,523)</b>		<b>(92,26,98,038)</b>
<b>TOTAL</b>		<b>(1,15,34,32,523)</b>		<b>(92,26,98,038)</b>
<b>NOTE - C(I) LONG-TERM BORROWINGS</b>				
Long Term Secured Term Loans				
Long Term Secured Loans from Banks (Refer Note no. Q (XIV) & Q(XV))		41,81,06,77,282		34,11,98,33,197
<b>TOTAL</b>		<b>41,81,06,77,282</b>		<b>34,11,98,33,197</b>
<b>NOTE - C(II) OTHER LONG TERM LIABILITIES</b>				
Forward Contract Payable		13,36,78,029		—
<b>TOTAL</b>		<b>13,36,78,029</b>		<b>—</b>
<b>NOTE - D CURRENT LIABILITIES</b>				
<b>NOTE - D(I) SHORT-TERM BORROWINGS:</b>				
<b>Secured:</b>				
Loans repayable on demand:				
From banks				
Secured Loans from Banks - Cash Credits (Refer Note no. Q(XVI))		41,79,60,281		—
			<b>41,79,60,281</b>	<b>—</b>
<b>Unsecured:</b>				
Short Term Loans/Inter-corporate borrowings from Parent Companies (Refer Note No. Q(XVII))				
		70,60,00,000		70,60,00,000
Other loans and advances:				
From banks		15,48,77,19,404		6,77,90,41,228
		<b>16,19,37,19,404</b>		<b>7,48,50,41,228</b>
<b>TOTAL</b>		<b>16,61,16,79,685</b>		<b>7,48,50,41,228</b>

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
<b>D(II) Current maturities of long term borrowings</b>				
Secured :				
Secured Loans from Banks - Current	<u>2,37,88,93,592</u>			
		<u>2,37,88,93,592</u>		
<b>TOTAL</b>		<u><u>2,37,88,93,592</u></u>		
<b>D(III) Trade payables:</b>				
Due to L&T Subsidiaries (Refer Note no. Q(IX))		97,48,170		5,68,31,572
Due to L&T (Refer Note no. Q(IX))		10,20,00,35,039		13,43,37,65,177
Others				
Liability for Revenue Goods	1,80,40,916		47,72,245	
Suppliers Ledger - Revenue goods / services	<u>68,97,13,954</u>		<u>2,72,83,017</u>	
		<u>70,77,54,869</u>		<u>3,20,55,262</u>
<b>TOTAL</b>		<u><u>10,91,75,38,078</u></u>		<u><u>13,52,26,52,011</u></u>
<b>D(IV) Other current liabilities</b>				
Interest Accrued but not Due - Term Loans	3,77,80,929		3,34,03,859	
Interest Accrued but not Due - Others	<u>63,66,27,055</u>			
		<u>67,44,07,984</u>		<u>3,34,03,859</u>
Liability towards gratuity fund - funded plan (refer Note no. Q(V))	7,62,950			
Liability for Service Tax	82,55,661			
Liability to Provident Fund	9,61,393		6,54,379	
Liabilities TDS on Contractors Payment	1,18,09,783		3,12,24,847	
Liabilities TDS Others	1,28,87,820		2,69,25,380	
Security Deposit Received	4,10,000		2,00,000	
Other Payables	11,91,548		7,33,539	
Forward Contract Payable	<u>64,29,80,282</u>		<u>37,32,17,176</u>	
		<u>67,92,59,437</u>		<u>43,29,55,321</u>
<b>TOTAL</b>		<u><u>1,35,36,67,421</u></u>		<u><u>46,63,59,180</u></u>
<b>D(V) Short term provisions</b>				
Provision for employee benefits:				
Gratuity Unfunded plan			770,432	
Compensated Absences	<u>42,32,223</u>		<u>19,35,392</u>	
		<u>42,32,223</u>		<u>27,05,824</u>
Others:				
Tax Provision				
Less : TDS Certificate Receivables Current Year				
		<u><u>42,32,223</u></u>		<u><u>27,05,824</u></u>

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)****NOTE - E(I) TANGIBLE ASSETS**

FIXED ASSETS - TANGIBLE	COST/VALUATION				DEPRECIATION					BOOK VALUE		
	As at 01.04.2012	Additions	DEDUCTIONS	As at 31.03.2014	As at 01.04.2012	ADDITIONS	DEDUCTIONS	ADJUSTMENTS	As at 31.03.2014	As at 31.03.2014	As at 31.03.2013	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
Buildings	82,24,725	–	1,28,442	<b>80,96,283</b>	74,28,999	27,482	6,335	–	<b>74,50,146</b>	<b>646,137</b>	7,95,726	
Plant & equipment	27,72,469	6,15,530	–	<b>33,87,999</b>	5,55,294	2,68,558	–	–	<b>8,23,852</b>	<b>25,64,146</b>	22,17,175	
Computers	77,83,784	17,59,389	60,311	<b>94,82,862</b>	16,35,905	27,35,704	60,306	–	<b>43,11,303</b>	<b>51,71,559</b>	61,47,879	
Office Equipments	19,63,979	1,23,404	48,003	<b>20,39,380</b>	2,92,202	1,39,870	16,558	–	<b>4,15,514</b>	<b>16,23,867</b>	16,71,777	
Furniture & fixtures	26,07,832	9,56,896	–	<b>35,64,728</b>	9,72,845	2,37,635	–	–	<b>12,10,480</b>	<b>23,54,248</b>	16,34,987	
<b>Total</b>	<b>2,33,52,789</b>	<b>34,55,219</b>	<b>2,36,756</b>	<b>2,65,71,252</b>	<b>1,08,85,245</b>	<b>34,09,249</b>	<b>83,199</b>	–	<b>1,42,11,295</b>	<b>1,23,59,957</b>	<b>1,24,67,544</b>	
Previous year	1,78,66,561	54,86,228	–	2,33,52,789	85,51,788	23,33,457	–	–	1,08,85,245			
Add: Capital work in progress (net of deductions on account of obsolescence)										<b>21,42,43,286</b>	<b>21,42,43,286</b>	
										<b>22,66,03,243</b>	<b>22,67,10,830</b>	

As at 31.03.2014

As at 31.03.2013

₹

₹

₹

₹

**NOTE - G(I) LONG-TERM LOANS AND ADVANCES**

Loans and advances :

Unsecured :

Considered good:

Capital Advances :

Inter Company Purchase

**48,61,66,658****48,61,66,658**

48,61,66,658

Security Deposits

**48,61,66,658****4,21,39,470**

1,04,56,570

Long term advance recoverable in cash or kind

Prepaid Expenses

**48,82,64,965****51,93,74,514****48,82,64,965****51,93,74,514****TOTAL****1,01,65,71,093****1,01,59,97,742****G (I) (B) LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES:**

Secured loans:

Unsecured loans:

Finance Lease Receivable (Refer Note no. Q(X))

**47,63,40,09,608**

–

**TOTAL****47,63,40,09,608**

–

**NOTE - H CURRENT ASSETS****H(I) Current Investments:**

Mutual funds (Refer Note no. Q(XXII))

**5,91,29,605**

40,24,20,843

**TOTAL****5,91,29,605**

40,24,20,843

**H(II) Inventories:(at cost or net realisable value whichever is lower)**

Raw Materials

**80,31,68,626**

–

Raw Materials in Transit

**11,01,45,090**

–

**91,33,13,716**

–

Stores Spares Parts (Refer Note no. Q(II))

**1,44,78,308**

–

**TOTAL****92,77,92,024**

–

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

	As at 31.03.2014		As at 31.03.2013	
	₹	₹	₹	₹
<b>H (III) Trade Receivables</b>				
<b>Unsecured:</b>				
Other debts (debts outstanding for less than 6 months):				
Considered Good		1,36,93,58,165		-
<b>TOTAL</b>		<u>1,36,93,58,165</u>		<u>-</u>
<b>H (IV) Cash and bank balances:</b>				
<b>Cash and Cash Equivalent:</b>				
On current accounts				
Balance with banks				
Balances with Scheduled Banks Current Account	7,04,47,480		4,57,76,325	
Cash on hand	25,999		53,916	
		<u>7,04,73,479</u>		<u>4,58,30,241</u>
<b>TOTAL</b>		<u>7,04,73,479</u>		<u>4,58,30,241</u>
<b>H (V) Short-term Loans and advances :</b>				
<b>Loans and advances :</b>				
Unsecured :				
Others				
Considered good:				
Security Deposit		2,71,500		7,31,000
Advance recoverable in cash or kind				
Advances to Suppliers	83,38,74,385		3,22,02,95,256	
Prepaid Expenses	10,90,83,045		45,629,377	
Sales Tax Advance Payment	27,37,734		-	
Advances to Employees	41,789		3,43,612	
Advances to Others	23,06,83,465		8,61,18,609	
Income Tax Prior Years	-		42,285	
		<u>1,17,64,20,418</u>		<u>3,35,24,29,139</u>
Income tax receivable of current year				
TDS Certificate Receivables Current Year	2,02,426		-	
		<u>2,02,426</u>		<u>-</u>
<b>TOTAL</b>		<u>1,17,68,94,344</u>		<u>3,35,31,60,139</u>
<b>H (v) (a) Loans and advances towards financing activities:</b>				
Secured loans:				
Unsecured loans:				
Considered good:				
Finance Lease Receivable (Refer Note no. Q(X))		25,55,00,097		-
<b>TOTAL</b>		<u>25,55,00,097</u>		<u>-</u>
<b>H (VI) Other current assets</b>				
Due from customers (construction and project related activity)				
Work-in-Progress at Realisable Sales Value (Refer Note no. Q(IV))		42,57,06,02,130		63,35,97,73,607
<b>TOTAL</b>		<u>42,57,06,02,130</u>		<u>63,35,97,73,607</u>
<b>NOTE - I CONTINGENT LIABILITIES:</b>				
Income tax liability (Refer Note No. Q(XII))		1,05,64,450		-
<b>TOTAL</b>		<u>1,05,64,450</u>		<u>-</u>

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

	01-04 -2013 to 31-3-2014		01-04 -2012 to 31-3-2013	
	₹	₹	₹	₹
<b>NOTE - K REVENUE FROM OPERATIONS</b>				
<b>Sales &amp; Services</b>				
Construction and project related activity				
Charged for Completed Jobs	47,80,94,87,915		–	
WIP at Close Including Materials at Site	42,57,06,02,130		63,35,97,73,607	
WIP at Commencement Incl. Materials at site	(63,35,97,73,607)		(30,37,21,72,423)	
		27,02,03,16,438		32,98,76,01,184
Income from financing activity/annuity based projects				
Finance lease Income Power Plant		1,02,33,84,597		–
Sales for Operation and Maintenance of Power Plant		85,38,32,098		–
		28,89,75,33,133		32,98,76,01,184
Other Operational Income:				
Miscellaneous Income Other Receipts	–		–	
Premium earned (net) on related forward exchange contracts				
Premium on Forward Contracts	(55,86,58,524)		(37,07,32,235)	
		(55,86,58,524)		(37,07,32,235)
<b>TOTAL</b>		<b>28,33,88,74,609</b>		<b>32,61,68,68,949</b>
<b>NOTE - L OTHER INCOME</b>				
Interest Received on ICD		–		–
Dividend Income:				
Others				
Dividend Income from Mutual Funds	3,09,85,184		3,05,82,008	
Income from Other Investments	20,24,247		–	
		3,30,09,431		3,05,82,008
Miscellaneous income				
Other Receipts		6,52,810		4,69,919
<b>TOTAL</b>		<b>3,36,62,241</b>		<b>3,10,51,927</b>
<b>NOTE - M : MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES:</b>				
Materials consumed:				
Cost of Raw materials and components Consumed				
Purchase Raw Materials Others	1,32,96,10,797		–	
Purchase Components (Inter Company) (Refer Note no. Q(IX))	14,40,86,11,310		22,47,62,37,111	
Purchase Components Others	3,55,38,677		93,66,901	
Freight Inwards	83,46,83,796		14,39,81,005	
Closing Stock Raw Materials	(80,31,68,626)		–	
Closing stock of Raw materials in transit	(11,01,45,090)		–	
	15,69,51,30,865		22,62,95,85,017	
Less: Scrap sales				
Scrap Sales Mfg Scrap	1,98,51,979		1,00,26,287	
		15,67,52,78,886		22,61,95,58,730



**NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

	01.04.2013 to 31.03.2014		01.04.2012 to 31.03.2013	
	₹	₹	₹	₹
Stores, Spares and tools consumed				
Stores, Spares				
Purchase - Stores Spares Others	2,64,89,663		–	
Closing Stock - Stores Spares Others	(1,44,78,308)		–	
		1,20,11,355		–
Sub-contracting charges				
Sub Contracts Others	14,56,94,400		23,78,10,585	
Sub Contracts (Inter Company)	5,26,08,02,135		5,72,08,45,702	
		5,40,64,96,535		5,95,86,56,287
Other manufacturing, construction and operating expenses:				
Power and fuel				
Power	23,97,73,681		1,38,776	
Fuel (Net off Infirm power income ₹ 26,92,81,568)	92,31,96,447		–	
		1,16,29,70,128		1,38,776
Hire Charges Plant Machinery		8,52,192		–
Engineering, professional, technical or consultancy fees				
Engineering Professional Technical or Consultancy Fees	6,51,80,602		3,14,46,688	
Engg. Professional Technical or Consultancy Fees (Inter Company) (Refer Note no. Q(IX))	81,64,495		5,75,97,578	
		7,33,45,097		8,90,44,266
Insurance				
Others		2,35,29,002		1,42,39,736
Rent				
Rent others		20,43,845		14,96,939
Rates Taxes				
Water Charges paid		1,11,551		4,29,280
Travelling and conveyance				
Travelling				
Travel Inland Tickets	60,51,397		56,11,401	
Conveyance				
Conveyance expenses	–		–	
Car hire - Employees local travel	2,35,35,463		1,00,52,334	
		2,95,86,860		1,56,63,735
General repairs and maintenance				
Security services at site	1,18,09,633		63,21,205	
Other repairs maintenance	11,66,492		9,57,867	
		1,29,76,125		72,79,072
Miscellaneous expenses				
Other Manufacturing Construction and Operating Expenses	48,00,04,691		93,89,46,215	
Other Manufacturing Construction and Operating Expenses (Inter Company) (Refer Note no. Q(IX))	12,85,561		7,26,259	
		48,12,90,252		93,96,72,474
Finance cost - Operating Activity				
Interest and other financing charges				
Interest		62,68,79,510		–
<b>TOTAL</b>		<b>23,50,73,71,340</b>		<b>29,64,61,79,295</b>

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

	01.04.2013 to 31.03.2014		01.04.2012 to 31.03.2013	
	₹	₹	₹	₹
<b>NOTE - N EMPLOYEE BENEFIT EXPENSES</b>				
Salaries , Wages and bonus				
Salaries				
Salaries	16,32,59,368		7,66,93,659	
Salaries ICO	8,95,82,996		9,32,30,839	
Leave Encashment Paid	2,42,636		25,177	
		25,30,85,000		16,99,49,675
Leave Encashment Provision		22,96,830		15,35,930
		25,53,81,830		17,14,85,605
Contribution to and provision for Provident fund and pension fund				
Contribution Provision to PF Pension RPFC	54,39,524		29,72,053	
Gratuity funds Contribution to Gratuity Fund	93,494		–	
Provision to Gratuity Fund	11,90,957		5,30,676	
		67,23,975		35,02,729
Staff Welfare Expenses		18,98,669		9,93,890
<b>TOTAL</b>		<b>26,40,04,474</b>		<b>17,59,82,224</b>
<b>NOTE - O SALES, ADMINISTRATION AND OTHER EXPENSES</b>				
Miscellaneous expenses				
Corporate Social Responsibility	2,06,05,911		5,42,11,551	
Donations	1,46,392		–	
Others	–		83,85,979	
		2,07,52,303		6,25,97,530
Exchange (gain)/loss				
Exchange Gain Loss - Creditors	20,73,53,449		(14,29,79,844)	
Exchange Gain Loss - Forward Contract Payables	(21,74,31,724)		1,02,06,79,717	
Exchange Gain Loss - Long Term Loans	(24,93,40,604)		(30,92,21,153)	
		(25,94,18,879)		56,84,78,720
<b>TOTAL</b>		<b>(23,86,66,576)</b>		<b>63,10,76,250</b>
<b>NOTE - P FINANCE COST:</b>				
Interest Expenses				
Debentures and fixed loans				
Interest Paid on Term loans from Banks (Refer Note Q(VI))	4,05,70,72,500		3,11,89,02,474	
Other Interest Paid	96,34,21,456		–	
Other borrowing costs				
Borrowing Costs Ancillary	4,65,05,334		4,42,18,421	
<b>TOTAL</b>		<b>5,06,69,99,290</b>		<b>3,16,31,20,895</b>

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)****NOTE - Q OTHER NOTES FORMING PART OF ACCOUNTS**

I. The Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss for the year ended March 31, 2014 are drawn and presented as per the new Schedule VI to the Companies Act, 1956.

**II. Disclosures pursuant to Accounting Standard (AS2) "Inventories"**

Particulars	2013-14	2012-13
	₹	₹
i. Raw Materials	91,33,13,716	—
ii. Stores, Spares and Consumables	1,44,78,308	—

**III. Disclosures pursuant to Accounting Standard (AS6) "Depreciation"**

The Company has changed depreciation policy for Computers / Laptops as below. The effect of such change in rates on financial statements is ₹ 11,22,221.

Asset Category	Revised Rates	Earlier Rates
Computers	25.00%	16.21%
Computers / Laptops (given to employees under employee scheme)	33.33%	16.21%

**IV. Disclosures pursuant to Accounting Standard (AS7) (Revised) "Construction Contracts"**

Particulars	2013-14	2012-13
	₹	₹
iii. Contract Revenue recognized for the Financial year	27,020,316,438	32,98,76,01,184
iv. Aggregate amount of Contract costs incurred as at end of Financial year for all contracts in progress as at that date	42,57,06,02,130	63,35,97,73,607
v. Amount of customer advances outstanding for contracts in progress as at end of the Financial year	—	—
vi. Retention amounts due from customers for the contracts in progress as at end of the Financial year	—	—

**V. Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits"**

a. Provision for Gratuity ₹ 11,90,957/- (Previous year ₹ 5,30,676) as per the provisions of Payment of Gratuity Act, 1972 is made on actuarial basis as follows:

**Amounts recognized in Balance Sheet:**

Particulars	2013-14	2012-13
	₹	₹
Present Values of Funded Obligations	19,61,389	—
Present Values of Unfunded Obligations	—	7,70,432
Fair Value of Plan Assets	(11,98,439)	—
<b>Net Liability</b>	<b>7,62,950</b>	<b>7,70,432</b>
<b>Amount in Balance Sheet</b>		
Current Liabilities	—	10,623
Non-Current Liabilities	7,62,950	7,59,809

**Expense recognized in statement of Profit & Loss Account:**

Particulars	2013-14	2012-13
	₹	₹
Current Service Cost	6,70,806	3,11,487
Interest on Defined Benefit Obligation	1,16,166	47,229
Net Actuarial Losses / (Gains) Recognized in Year	4,03,985	1,71,960
<b>Total</b>	<b>11,90,957</b>	<b>5,30,676</b>

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

The changes in the present value of defined benefit obligation representing reconciliation of opening & closing balances thereof are as follows:

Particulars	2013-14	2012-13
	₹	₹
<b>Opening balance of Present value of defined benefit obligation</b>	<b>7,70,432</b>	2,39,756
Add:		
Current Service Cost	6,70,806	3,11,487
Interest on Defined Benefit Obligation	1,16,166	47,229
Net Actuarial Losses / (Gains) Recognized in Year	4,03,985	1,71,960
<b>Closing balance of Present value of defined benefit obligation</b>	<b>19,61,389</b>	7,70,432

The changes in the fair value of plan assets representing reconciliation of opening & closing balances thereof are as follows:

Particulars	2013-14	2012-13
	₹	₹
Opening balance of Fair value of Plan Assets	–	–
Add: Contributions by Employer	11,98,439	–
Closing balance of Fair value of Plan Assets	11,98,439	–

**Experience Adjustment:**

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10
	₹	₹	₹	₹	₹
Defined benefit Obligation	19,61,389	7,70,432	2,39,756	–	–
Plan Asset	11,98,439	–	–	–	–
Surplus/ (deficit)	(7,62,950)	(7,70,432)	(2,39,756)	–	–
Exp. Adj. on Plan Liabilities	3,99,012	1,22,986	–	–	–
Exp. Adj. on Plan Asset	–	–	–	–	–

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

Particulars	2013-14		2012-13	
	%	Rupees	%	Rupees
Insurer Managed Funds	100	11,98,439	–	–
<b>Total</b>	<b>100</b>	<b>11,98,439</b>	–	–

**Principal actuarial assumption at the Balance Sheet date:**

Particulars	2013-14	2012-13
	%	%
(i) Discounting Rate (p.a.)	9.10%	8.09%
(ii) Expected Rate of Return on Assets (p.a.)	7.50%	0.00%
(ii) Salary Escalation Rate (p.a.)	6.00%	5.00%

- (iii) **Discount Rate:** The discount rate is based on the prevailing market yields of Indian government securities as at March 21, 2014 for the estimated term of the obligations.
- (iv) **Expected Rate of Return on Plan Assets:** This is based on our expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.
- (v) **Salary Escalation Rate:** The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
- (vi) **Retirement Age:** The employees of the Company are assumed to retire at the age of 58 years.

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

- vii) **Mortality:** Published rates under the Indian Assured Lives Mortality (2006-08) Ult table. Rates of Indian Assured Lives Mortality table at specimen ages are as shown below:

Age (Years)	Rates
18	0.000800
23	0.000961
28	0.001017
33	0.001164
38	0.001549
43	0.002350
48	0.003983
53	0.006643
58	0.009944

- (viii) **Leaving Service:** Rates of leaving service at specimen ages are as shown below

Age (Years)	Rates
21-25	3%
26-35	6%
36-45	2%
46-57	1%

- (ix) **Disability:** Leaving service due to disability is included in the provision made for all causes of leaving service.

- b. Provision for leave encashment ₹ 22,96,830/- (Previous year ₹15,35,930) is made on actuarial basis.

- VI. An amount of ₹ 506,69,99,290 (Previous year ₹ 316,31,20,895) towards borrowing costs for qualifying asset is inventoried during the year.

- VII. Amortization of expenditure:

Financial Closure Expenses are amortized over the tenure of loan. Details as under:

(₹)

Particulars	Expense Amount	Amortization			Balance
		Up to 31.03.2013	For 2013-14	Total	
Financial Closure Expenditure	49,71,44,159	8,28,66,024	3,31,47,276	11,60,13,300	38,11,30,859
ECB Loan Processing Charges	17,68,15,432	1,11,31,809	1,33,58,059	2,44,89,868	15,23,25,564

**VIII. Disclosure pursuant to Accounting Standard (AS) 17 “Segment Reporting”**

Company is engaged in single segment; hence requirement of reporting of primary segment does not arise. The Company does not have any exports; hence, requirement of disclosure of secondary/geographical segment reporting does not arise.

**IX. Disclosure pursuant to Accounting Standard (AS) 18 “Related party disclosures”**

- a. List of related parties who can exercise control:

Sr. No.	Name of Related Party	Relationship
1	Larsen & Toubro Limited	Ultimate Holding Company
2	L&T Power Development Limited	Holding Company

- b. Name of related party with whom transactions were carried out during the year and description of relationship:

S.No.	Name of the Related party	Relationship
1.	Larsen & Toubro Limited (L&T)	Ultimate Holding company
2.	L&T Power Development Limited (L&T PDL)	Holding company
3.	L&T-Sargent & Lundy Limited	Fellow Subsidiary Company
4.	L&T-MHI Boilers Private Limited	Fellow Subsidiary Company
5.	L&T Infrastructure Finance Company Limited	Fellow Subsidiary Company
6.	L&T Investment Management Limited	Fellow Subsidiary Company
7.	L&T Uttaranchal Hydropower Limited	Fellow Subsidiary Company
8.	Larsen & Toubro Infotech Limited	Fellow Subsidiary Company

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)**

## c. Disclosure of related party transactions:

S. No.	Name/Relationship/Nature of transaction	2013-14	2012-13
		₹	₹
I	Ultimate Holding company <b>Larsen &amp; Toubro Limited</b>		
	Advance Adjustment - L&T Contract	2,46,52,31,486	(5,28,49,84,133)
	Retention Money - L&T Contract	8,42,03,990	4,35,10,36,410
	Expenses reimbursed	21,34,40,549	12,00,21,223
	Purchase of Goods & Services	19,78,43,76,722	28,42,43,36,607
	Community Welfare	-	4,08,11,000
	Capital WIP	-	21,38,68,734
	Inter Company Deposit	2,33,00,00,000	-
	Interest on Inter Company Deposit	20,24,247	-
II	Holding company <b>L&amp;T Power Development Limited</b>		
	Professional Fees & Business Support Services	4,26,96,334	5,67,43,123
	Inter Company Borrowing		
	Investment in Equity Shares	11,78,00,00,000	1,87,00,00,000
	Advance against equity commitment	9,52,00,00,000	2,26,00,00,000
	Reimbursement of expenses	67,69,157	-
Asset Transfer	86,055	-	
III	Fellow Subsidiary company <b>L&amp;T-Sargent &amp; Lundy Limited</b>		
	Professional Fees & Business Support Services	16,51,692	22,82,235
	Expenses Reimbursement	-	64,409
	<b>L&amp;T Infrastructure Finance Company Limited</b>		
	Professional Fee	-	5,05,62,000
	<b>L&amp;T-MHI Boilers Private Limited</b>		
	Expenses Reimbursement	65,537	91,325
	<b>L&amp;T Investment Management Limited</b>		
	Mutual Fund-Investment	854,95,00,000	454,03,00,000
	Mutual Fund- Redemption	884,36,63,261	4,39,03,74,405
	Mutual Fund- Dividend Received	1,20,60,741	1,22,28,737
	<b>L&amp;T Uttaranchal Hydropower Limited</b>		
	Asset Transfer	23,626	-
<b>Larsen &amp; Toubro Infotech Limited</b>			
Professional Fees	23,25,852	-	

## d. Amount due to and due from related parties:

Sl. No.	Particulars	As at 31.03.2014		As at 31.03.2013	
		₹		₹	
		Due to	Due from	Due to	Due from
I	Due to ultimate holding company: <b>Larsen &amp; Toubro Limited</b>	1020,00,14,221	130,11,07,814	1343,37,65,177	369,59,73,904
II	Due to holding company: <b>L&amp;T Power Development Limited (Including ICB)</b>	71,28,41,321	-	71,70,21,548	-
III	Due to fellow subsidiary company: <b>L&amp;T Infrastructure Finance Company Limited</b>			4,55,05,800	-
	<b>L&amp;T-Sargent &amp; Lundy Limited</b>	7,64,363	-	2,42,698	-
	<b>L&amp;T-MHI Boilers Private Limited</b>	-	-	61,526	-
	<b>L&amp;T Investment Management Limited</b>		5,48,27,769	-	33,69,30,289
	<b>L&amp;T Uttaranchal Hydropower Limited</b>	23,626	-	-	-
	<b>Larsen &amp; Toubro Infotech Limited</b>	21,18,852	-	-	-
	Professional Fees				

**NOTES FORMING PART OF THE ACCOUNTS (Contd.)****X. Disclosure pursuant to Accounting Standard (AS) 19 “Leases”**

- a. The total gross investment in lease as on 31st March 2014 and the present value of minimum lease payments receivable as on March 31, 2014 is as under:

Particulars	2013-14	2012-13
	₹	₹
1. Receivable not later than 1 year	6,66,87,86,520	NA
2. Receivable later than 1 year and not later than 5 years	28,98,96,88,464	
3. Receivable later than 5 years	114,57,64,44,104	
Gross investment in lease (1+2+3)	150,23,49,19,088	
Less: Unearned finance income	1,02,24,64,79,356	
Present value of receivables	47,98,84,39,732	

- b. Unearned finance income as at March 31, 2014 is ₹ 102,24,64,79,356.  
c. Unguaranteed Residual Value accruing to the benefit of the Company is ₹ 4,79,08,40,000.  
d. The accumulated provision for uncollectible minimum lease payments receivable is NIL  
e. Contingent rents recognized in the Statement of Profit and Loss for the year ended March 31, 2014 is NIL  
f. The company has entered into an agreement with Punjab State Power Corporation Limited (formerly, Punjab State Electricity Board) in form of Power Purchase Agreement for sale of 100% power generated from the plant for a long term period of twenty five years.

**XI. Basic and diluted earnings per share (EPS) computed in accordance with Accounting Standard 20(AS-20) “Earnings per Share”**

Particulars	2013-14	2012-13
<b>Basic</b>		
Profit as per Profit and Loss Account (Rupees) -	(23,07,34,485)	(97,07,81,560)
Average number of equity shares outstanding -	1,51,30,10,929	99,76,85,792
<b>Basic EPS (Rupees)</b>	(0.15)	(0.97)
<b>Diluted</b>		
Profit as per Profit and Loss Account (Rupees) -	(23,07,34,485)	(97,07,81,560)
Average number of equity shares outstanding -	1,81,91,63,934	103,51,99,454
Average number of equity shares to be allotted on conversion of advance towards equity to equity -		
Average number of equity shares to be outstanding -		
<b>Diluted EPS (Rupees) -</b>	(0.13)	(0.94)

**XII. Contingent Liabilities:**

Income tax liability of ₹ 1,05,64,450 for which Company is in process of filing an appeal.

**XIII. In line with the Company’s risk management policy, the financial risks mainly related to changes in exchange rates are hedged by entering into forward contracts.**

Particulars of Forward Contracts entered for hedging purpose outstanding as at March 31, 2014:

Particulars	Amount of exposure hedged	
	As at 31-03-2014	As at 31-03-2013
i. Forward Contracts for payables towards firm commitments and highly probable forecasted transactions	1,67,64,82,349	4,56,02,22,901
ii. Forward Contracts for repayment of Foreign currency Loan (ECB)	4,85,96,13,787	1,78,48,74,898

**Un-hedged Foreign currency Exposure**

Payables including firm commitments and highly probable forecasted transactions:

- b. Firm commitment - ₹ 14,39,154 (Previous year - ₹ 4,61,26,895)  
c. ECB Loan - ₹ 53,99,54,601 (Previous year- ₹ 59,49,55,758)

**XIV. JPY denominated ECB Loan balance as on March 31, 2014 ₹ 539,95,70,874 (Previous year: ₹ 2,37,98,33,197) includes reinstatement exchange gain amount of ₹ 54,24,18,597 (Previous year loss: ₹ 29,30,98,898)****XV. The Company has got sanctioned secured loan of ₹ 7,200 Crores through syndication of 23 Banks against the security of mortgage and hypothecation of its assets and receivables over the period of loan. Part of this sanctioned loan is refinanced through External Commercial Borrowing (ECB) route for JPY 10,46,22,80,000 towards specific purchases.**

## NOTES FORMING PART OF THE ACCOUNTS (Contd.)

65% of the INR loan is repayable in 44 structured installments from September 2014 to June 2025 and the balance 35% shall be paid as a bullet repayment at the end of the loan tenor. Interest is payable on a monthly basis

The ECB is repayable in twenty four equitable half yearly installments starting from September 2014 and ending on Mar'2026. Interest is payable half yearly.

**XVI.** The Company has got sanction from banks for fund & non-fund based secured working capital facilities of ₹ 150 crore and ₹ 100 crore respectively.

**XVII.** The Company has taken interest free Inter Corporate Borrowing from its holding Company- L&T Power Development Limited. Balance as on March 31, 2014 is ₹ 70,60,00,000 (Previous year ₹ 70,60,00,000)

**XVIII.** As on March 31, 2014, amounts of ₹ 32, 42,903 are due to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

### **XIX. Auditors' remuneration:**

Particulars	2013-14	2012-13
	₹	₹
Audit Fees	4,60,675	1,50,000
Other Matters	83,711	67,104
Reimbursement of expenses	14,075	1,68,285
<b>TOTAL</b>	<b>5,58,461</b>	<b>3,85,389</b>

**XX.** Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2014 is ₹ Nil (Previous year: ₹ Nil).

**XXI.** Expenditure in foreign currency:

Foreign Travel: Nil (Previous Year: ₹ 4,28,373)

**XXII.** Aggregate value of unquoted investment is ₹ 5,91,29,604 (Previous Year: ₹ 40,24,20,843)

**XXIII.** Figures for the previous year have been regrouped / reclassified wherever necessary.

### **BRIEF DESCRIPTION OF THE COMPANY:**

Nabha Power Limited (NPL) is setting up a 2 X 700 MW Coal based Supercritical Thermal Power Plant at Rajpura, Punjab. NPL has signed a Power Purchase Agreement with Punjab State Power Corporation Limited (formerly, Punjab State Electricity Board) for sale of 100% power generated from the plant for a long term period of twenty five years. Unit 1 of the power plant has commenced commercial operations during the financial year (From February 1, 2014)

### **NOTE NO. R SIGNIFICANT ACCOUNTING POLICIES:**

#### **I. Basis of accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ["GAAP"], in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006.

The preparation of financial statements in conformity with GAAP requires that the Management of the Company make estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements.

#### **II. Presentation of Financial Statements**

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule VI to the Companies Act, 1956 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule VI to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards and the Listing Agreement.

Amounts in the financial statements are presented in Indian Rupees in line with the requirements of Schedule VI. Earnings per share data are presented in Indian Rupees to two decimals places.

#### **III. Leases**

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of inception.

- Assets given under leases where the Company has transferred substantially all the risks and rewards of ownership to lessee, are classified as finance leases. Where under a contract, the Company has agreed to manufacture/construct an asset and convey, in substance, a right to the beneficiary to use the asset over a major part of its economic life, for a pre-determined consideration, such arrangement is also accounted as finance lease.
- Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Wherever the



## NOTES FORMING PART OF THE ACCOUNTS (Contd.)

asset is manufactured/constructed by the Company, the fair value of the asset, representing the net investment in the lease, is recognised as sales revenue in accordance with the Company's revenue recognition policy. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

### IV. Revenue Recognition

- a. Wherever the asset is constructed by the Company and given on finance lease, the fair value of the asset, representing the net investment in the lease, is recognised as contract revenue in accordance with the Company's revenue recognition policy for construction contracts when the asset is under construction, which is as follows:

Contract revenue is recognized only to the extent of cost incurred till such time the outcome of the job cannot be ascertained reliably. When the outcome of the contract is ascertained reliably, contract revenue is recognized at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date to the total estimated contract costs. Expected loss, if any, on the construction/project related activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of costs and related incidental income not included in contract revenue is taken into consideration.

- b. When the construction of the asset is complete and the same is given on finance lease, the revenue recognition is as under:  
The amounts received under the long term Power Purchase Agreement (PPA) are classified under two heads in the following manner:

a) Capacity Charges

The payments received in the form of capacity charges are treated as lease rentals and split into two components as under:

- Repayment of principal i.e. capital recovery towards net investment in the lease is adjusted against Finance lease receivable; and
- Finance income over the period of the lease so as to yield a constant periodic rate of return on the net investment in the lease. This is being recognised in the statement of profit and Loss on accrual basis.

b) Energy Charges

Energy Charges received under the provisions of the PPA, which are towards recovery of fuel and related costs, are recognised in the Statement of Profit and Loss on accrual basis.

### V. Tangible Fixed Assets

Fixed assets are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation.

Tangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress".

### VI. Depreciation

Depreciation on assets has been provided on straight line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. However, in respect of Furniture and fixtures, office equipment, electrical equipment, Air conditioners and computers, the depreciation is provided at higher rates in line with their estimated useful life. The rates considered for current year are as follows:

Asset Category	Revised Rates
Furniture & Fixtures	10.00%
Office Equipment	6.67%
Computers	25.00%
Computers / Laptops (given to employees under employee scheme)	33.33%
Electrical Equipment	6.67%
Air Conditioner	8.33%
Temporary Building	100%

Depreciation for, additions/deductions is calculated pro rata from/to the month of additions/deductions.

### VII. Investments

Current investments are carried at lower of cost and fair value.

Investments, which are readily realisable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments.

Purchase and sale of investments are recognised based on the trade date accounting.

### VIII. Inventories

Inventories of Raw materials, consumables, supplies, fuel, stores and spares and loose tools are valued at lower of cost (on weighted average basis) and net realisable value

### IX. Provisions, contingent liabilities and contingent assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) The Company has a present obligation as a result of a past event.
- b) A probable outflow of resources is expected to settle the obligation and
- c) The amount of the obligation can be reliably estimated.

## NOTES FORMING PART OF THE ACCOUNTS (Contd.)

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- b) a present obligation when no reliable estimate is possible; and
- c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

### X. Borrowing cost

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of such asset till such time as the asset is ready for the intended use. In addition to Interest charges, borrowing costs also include amortized ancillary costs incurred in connection with the arrangement of borrowings, exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. A qualifying asset is an asset that necessarily requires substantial period of time to get ready for its intended use.

### XI. Foreign Currency Transactions, foreign operations, forward contracts and derivatives

- a. The reporting currency of the Company is Indian rupee
- b. Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate.
- c. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing rate are recognized as
- d. Non-monetary items, carried at historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.
- e. Forward contracts, other than those entered into to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions, are treated as foreign currency transactions and accounted accordingly as per Accounting Standard (AS) 11 "The effects of changes in foreign exchange rate".
- f. Gains and losses arising on account of roll over/ cancellation of forward contracts are recognised as income/expense of the period in which such roll over/cancellation takes place.
- g. All other forward contracts entered into to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognised in the financial statement at fair value as on the Balance sheet date as per Accounting Standard (AS 30) "Financial Instrument: Recognition and Measurement"
- h. The premium paid/received on a foreign currency forward contract is accounted as expense/income over the life of the contract.

### XII. Cash Flow Statement

Cash Flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method.

Under Indirect method, the profit is adjusted for effects of:

- i. Transactions of non-cash nature
- ii. Any deferrals or accruals of past or future operating cash receipts or payments and
- iii. Items of income or expense associated with investing or financing cash flows

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance sheet are included under this category with specific disclosure.

As per our report attached

For and on behalf of the Board

#### SHARP & TANNAN

Chartered Accountants  
ICAI Registration No. 000452N  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 33013

**S R GODBOLE**

F&A Head

**J S GILL**

Manager

**ASHWANI KUMAR**

Director

**SHAILENDRA ROY**

Director

Place : Mumbai  
Date : April 25, 2014

Place : Mumbai  
Date : April 25, 2014