

GOKAK POWER & ENERGY LIMITED
A SUBSIDIARY COMPANY



DIRECTORS : SHAPOOR P. MISTRY – *Chairman*
H.S.BHASKAR
S. MUKUNDAN
C. G. SHAH
KAIWAN KALYANIWALLA

PRINCIPAL BANKERS : ICICI BANK LTD

AUDITORS : MURUGESH & CO.

**REGISTERED &
CORPORATE OFFICE** : NO.24, 29TH MAIN
BTM LAYOUT II STAGE
BANGALORE - 560 076

PLANTS : 1. GOKAK FALLS- 591 308 (DISTRICT BELGAUM-KARNATAKA)
2. VILLAGE: DHUPDAL , ARABHAVI HOBLI,
TAL: GOKAK , DIST. BELGAUM

DIRECTORS' REPORT

To,
The Shareholders
Your Directors are pleased to submit their Second Report and Audited Accounts of the Company for the year ended 30th September, 2013.

1. FINANCIAL RESULTS:

The summarized financial results are set out below :

(Rs. in Lakhs)

Particulars	For the year from 01.10.2012 to ended 30 th September, 2013	For the year from 17.01.2012 to ended 30 th September, 2012
(a) Gross Revenue	1606.33	4.13
Less: Costs	230.08	48.63
(b) Balance	1376.25	(44.50)
Less: Interest	1132.79	(246.77)
(c) Cash Profit/(Loss)	243.46	(291.27)
Less: Depreciation	496.17	4.03
(d) Loss after depreciation carried to Balance Sheet	(252.71)	(295.30)
Less: Provisions for taxation	-	-
Net Loss	(252.71)	(295.30)

2. SHARE CAPITAL & DIVIDEND:

The Paid up Share Capital of the Company is Rs.49 crores. As Company has incurred Net Loss of Rs. 252.71 lakhs in the financial year 2012-2013, your Directors do not recommend any dividend for the year.

3. OPERATIONS :

This is the 2nd year of the Company. During the year under review, on a turnover of Rs. 1606.33 lakhs, the Company has incurred net loss of Rs.252.71 lakhs. The previous year figures are not comparable, as the plant was transferred on 27.09.2013 and the Company had only 4 days of commercial production.

4. DIRECTORS:

Mr.S.Mukundan,, Director of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr.H.S.Bhaskar, Managing Director of the Company was being re-appointed as Managing Director of the Company for the period of 3 years with effect from 31-7-2013.

5. DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representation received from the operating management, confirm: -

- a. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- b. that they have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- c. that they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that they have prepared the annual accounts on a going concern basis.

6. AUDITORS AND AUDIT REPORT:

Messrs. Murugesh & Co., Chartered Accountants are reappointed the Statutory Auditors of the Company to hold office from the conclusion of the ensuing Annual General Meeting of the Company to the conclusion of the next Annual General Meeting of the Company and they are eligible for reappointment.

7. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of the Board of the Directors) Rules, 1988 are set out in Annexure to this report.

8. PARTICULARS OF EMPLOYEES:

There are no such particulars to be furnished as required under Section 217(2A) of the Companies Act, 1956 read with the Companies(Particulars of Employees)Amendment Rules, 2011.

9. OUTLOOK:

The monsoon in the catchment area of Ghataprabha River is better this year when compared to previous financial year. Hidkal Dam which has capacity of 49 TMC filled up much faster than previous year. Overall command area of Ghataprabha Dam is increasing year-by-year and hence the water usage for agriculture is substantially going up. Government of Karnataka is further investing money to increase the command area. As a result of this, even though the rainfall was quite satisfactory, the overall level in the Dam is lower when compared to previous year by 3.5 TMC. This may ultimately put pressure on release of water of 284 cusecs for generation of power by the company.

The generation of power during the current monsoon upto 30th September, 2013 is quite satisfactory. But, in the coming days generation will be affected, as a result of lower water level at Hidkal Dam. Your Company has made various representations to Government for release of sufficient water for power generation.

Your Company is eligible for Renewable Energy Certificates after successfully implementing the grid connectivity. Company was also expecting substantial revenue from sale of Renewable Energy Certificates in the power exchange. But, due to lack of strict implementation of Renewable Energy Certificates Policy, the traded volume of Renewable Energy Certificates is below 2% of



the available Renewable Energy Certificates. In case, the demand of Renewable Energy Certificates does not improve, the company will suffer a revenue loss of more than Rs. 6 Cr. per annum. Company will continue to make representations to State Government as well as Central Government for strict implementation of Renewable Energy Certificates Policy.

10. ACKNOWLEDGEMENT:

Your Directors wish to place on record their sincere appreciation for the assistance given by the Company's Bankers and acknowledge that their support has been a source of considerable strength. The Directors commend the continued commitment and dedication of employees at all levels. The Directors also wish to acknowledge with thanks all other stakeholders for their valuable sustained support and encouragement. Your Directors look forward to receiving similar support and encouragement from all stakeholders in the years ahead.

For and on behalf of the
Board of Directors

Mumbai
7th November, 2013.

SHAPOOR P. MISTRY
Chairman

Registered Office :
No.24, 29th Main, BTM Layout II Stage
Bangalore – 560 076

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Information as required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

(A) CONSERVATION OF ENERGY:

Measures taken during the year include the following:

(a) ENERGY CONSERVATION MEASURES TAKEN FOR THE YEAR 2012-13:

1. Replaced ordinary ballast by new Electronic ballast in the tube lights.
2. Water leakages in shaft sleeves, pipelines and glands attended to reduce Dewatering pump / drainage pump operation
3. Continually monitored and attended oil leakages in HMC panel and gearbox to reduce the auxiliary pump motor operation.

(b) ADDITIONAL INVESTMENT PROPOSALS:

1. Replacement of ordinary ballast by new electronic ballast in tube lights.
2. Replacement of CFL/LED Type Street lights in place of sodium vapor lamps.
3. Oil leakages and water leakages to be attended to reduce the auxiliary pump operation.
4. Water leakage in RCC penstock to be attended, to save water and there by increase the generation.



INDEPENDENT AUDITOR'S REPORT

To the Members of

GOKAK POWER & ENERGY LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of M/s. **GOKAK POWER & ENERGY LIMITED** ("the Company"), which comprise the Balance Sheet as at September 30, 2013, the Statement of Profit and Loss & Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's 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 referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). 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. 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 case of the Balance Sheet, of the state of affairs of the Company as at September 30, 2013;
- (b) in case of the Statement of Profit and Loss, of the **Loss** for the year ended on that date;
- (c) in case of 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 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors as on September 30, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For MURUGESH & Co.,
Chartered Accountants
FRN 002233S

H.B.M.MURUGESH
Proprietor
M. No. 020497

Place : Bangalore
Date : November 07, 2013

ANNEXURE TO THE AUDITOR'S REPORT

(Annexure referred to in paragraph 1 of Report on Other Legal and Regulatory Requirements)

On the basis of such checks as we considered appropriate and according to the information and explanation given to us during the course of our audit, we report that:

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
(b) In our opinion and according to the information and explanations given to us, fixed assets have been physically verified by the management at reasonable intervals; no material discrepancies were noticed on such verification.
(c) In our opinion and according to the information and explanations given to us, substantial portion of fixed asset has not been disposed of during the year and therefore does not affect the going concern assumption.
- ii. Since the Company has no inventory, the provisions of the clause (ii)(a), (ii)(b) and (ii)(c) of the order are not applicable.
- iii. (a) In our opinion and according to the information and explanations given to us, the Company has not granted interest free unsecured loans to parties listed in the register maintained under Section 301 of the Act.
(b) The Company has not taken unsecured loans from directors and their relatives and the terms of such loans are not prejudicial to the interest of the Company.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and payment for expenses & for sale of goods. During the course of our audit, no major instance of continuing failure to correct any weaknesses in the internal controls has been noticed.
- v. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, the particulars of contracts or arrangements that need to be entered in to the register maintained under the Section 301 of the Companies Act are being entered.
(b) In our opinion and according to the information and explanations given to us and in our opinion, the transactions entered into by the Company with parties covered u/s 301 of the Act have been made at prices which are reasonable having regard to the prevailing market price at the relevant time.
- vi. The Company has not accepted any deposits from the public covered under Section 58A and 58AA of the Companies Act, 1956.
- vii. In our opinion, as per information and explanations given by the management, the internal audit system is commensurate with the size of the Company and the nature of its business.
- viii. According to the information and explanations given to us, the Central government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956, for any of any products of the Company.
- ix. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, 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 to the extent applicable and any other statutory dues have generally been regularly deposited with the appropriate authorities. According to the information and explanations given to us there were no outstanding statutory dues as on 30th September, 2013 for a period of more than six months from the date they became payable.
(b) According to the information and explanations given to us, there is no amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty and excise duty which have not been deposited on account of any disputes.
- x. Since the Company is registered for a period less than five year, the Provision the clause (x) of the order is not applicable.
- xi. In our opinion and according to the information & explanations given to us, the Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- xii. In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi /mutual benefit fund/society.
- xiv. The Company is not dealing or trading in Shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantees for loan taken by others from a bank or financial institution.
- xvi. According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that the funds raised on short-term basis have not been used for long term investment and vice versa.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at September 30, 2013, we report that no funds raised on short-term basis have been used for long-term investment by the Company.
- xviii. Based on the audit procedures performed and the information and explanations given to us by the management, we report that the Company has not made any preferential allotment of shares during the year.
- xix. According to the information and explanation given to us, the Company has not issued any debentures during the period under audit.
- xx. According to the information and explanation given to us, the Company has not raised any money by public issue during the year.
- xxi. According to the information and explanations give to us, no fraud on or by the Company has been noticed or reported during the course of audit

For MURUGESH & Co.,
Chartered Accountants
FRN 002233S

H.B.M.MURUGESH
Proprietor
M. No. 020497

Place : Bangalore
Date : November 07, 2013

**BALANCE SHEET AS AT SEPTEMBER 30, 2013**

	Note	September 30, 2013	September 30, 2012
		₹	₹
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share Capital	4	490,000,000	490,000,000
(b) Reserves and Surplus	5	(54,801,306)	(29,530,175)
		<u>435,198,694</u>	<u>460,469,825</u>
2 Non-current liabilities			
(a) Long Term Borrowings	6	791,200,000	860,000,000
(b) Deferred tax liabilities (Net)		—	—
(c) Other Long Term Liabilities		—	—
(d) Long Term Provisions		3,644,415	—
		<u>794,844,415</u>	<u>860,000,000</u>
3 Current liabilities			
(a) Short Term Borrowings		—	—
(b) Trade payables		—	—
(c) Other Current Liabilities	7	89,027,652	16,954,594
(d) Short-Term Provisions		—	—
TOTAL		<u><u>1,319,070,761</u></u>	<u><u>1,337,424,419</u></u>
II. ASSETS			
1 Non-current assets			
(a) Fixed Assets			
Tangible assets	8	1,215,210,975	1,199,596,489
Intangible assets		—	—
Capital Work in Progress		96,068	16,333,620
		<u>1,215,307,043</u>	<u>1,215,930,109</u>
(b) Non Current Investments		—	—
(c) Long-Term Loans and advances		—	—
		<u>1,215,307,043</u>	<u>1,215,930,109</u>
2 Current Assets			
(a) Inventories		—	—
(b) Trade Receivables	9	17,987,700	—
(c) Cash And Cash Equivalents	10	78,715,513	120,768,941
(d) Short-Term Loans and advances	11	7,060,505	725,369
(e) Other Current Assets		—	—
		<u>103,763,718</u>	<u>121,494,310</u>
TOTAL		<u><u>1,319,070,761</u></u>	<u><u>1,337,424,419</u></u>

Significant Accounting Policies 1-3

The notes are an integral part of the these financial statements
As per our Report attached

For and on behalf of
MURUGESH & CO.,
Chartered Accountants
Firm Reg No. 002233S

H B M MURUGESH
Proprietor

Membership No.: 020497
Bangalore
Date: November 07, 2013

Signatures to Balance Sheet and Schedules

SHAPOOR P. MISTRY	Chairman
H. S. BHASKAR	Executive Director
S. MUKUNDAN	Director
C. G. SHAH	Director
KAIWAN KALYANIWALLA	Director

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PROFIT AND LOSS FOR THE PERIOD YEAR ENDED SEPTEMBER 30, 2013

	Note	September 30, 2013 ₹	September 30, 2012 ₹
REVENUE			
Revenue from operations	12	157,058,896	413,800
Other Income		3,574,287	-
TOTAL REVENUE		160,633,183	413,800
EXPENSES			
Cost of Raw Materials Consumed			
Employee Benefit Expenses	13	6,720,183	51,212
Other expenses	14	16,287,561	4,811,927
Depreciation	8	49,616,935	403,511
Finance Costs	15	113,279,634	24,677,325
Total expenses		185,904,314	29,943,975
Profit before tax		(25,271,131)	(29,530,175)
<u>Tax expense:</u>			
Current tax			
Current year		-	-
Adjustments of earlier years		-	-
Deferred tax		-	-
Profit for the year		(25,271,131)	(29,530,175)
Earnings per share (in Rs) (Basic and Diluted)		(0.52)	(19.60)
Significant Accounting Policies	3		

The notes are an integral part of the these financial statements
As per our Report attached

For and on behalf of

MURUGESH & CO.,

Chartered Accountants

Firm Reg No. 002233S

HBM MURUGESH

Proprietor

Membership No.: 020497

Bangalore

Date: November 07, 2013

Signatures to Balance Sheet and Schedules

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director

S. MUKUNDAN

Director

C. G. SHAH

Director

KAIWAN KALYANIWALLA

Director

**CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Particulars	Year ended 30.09.2013		Year ended 30.09.2012	
	₹	₹	₹	₹
A. Cash Flow from Operating Activities :				
Profit(Loss) for the year		(25,271,131)		(29,530,175)
<i>Adjustments for:</i>				
Depreciation for the year(Net of adjustments,if any)	49,616,935		403,511	
Finance Cost	113,279,634		24,677,325	
Interest & Dividend Income	(3,387,501)		-	
Provision for Long Term	3,644,415			
(Profit)/Loss on Sale of Fixed Assets	-	163,153,483	-	25,080,836
Operating Profit (before working capital changes)	137,882,352		(4,449,339)	
<i>Adjustments for:</i>				
Receivables	(17,987,700)		-	
Short Term Loans Advances & Other Current Assets	(6,335,136)		(725,369)	
Current Liabilities	72,073,058	47,750,222	16,954,594	16,229,225
Cash Flows from Operations (before Interest and Tax)	185,632,574		11,779,886	
Income Tax paid	-		-	
Wealth Tax paid	-	-	-	-
Net cash from operating activities	185,632,574		11,779,886	
B. Cash Flow from Investing Activities :				
Purchase of Fixed assets	(48,993,869)		(1,216,333,620)	
Interest received	3,387,501	-		
Profit on Sale of Fixed Assets	-		-	
Net cash used in investing activities	(45,606,368)		(1,216,333,620)	
C. Cash Flow from Financing Activities :				
Proceeds from Issue of Shares	-		490,000,000	
Long Term Borrowings and Provision	(68,800,000)		860,000,000	
Finance Cost (Excl Exchange Loss)	(113,279,634)		(24,677,325)	
Foreign Exchange Fluctuations	-		-	-
Net cash from financing activities	(182,079,634)		1,325,322,675	
Net increase/ (decrease) in cash and cash equivalents	(42,053,428)		120,768,941	
Cash and cash equivalents as at beginning	120,768,941		-	
Cash and cash equivalents as at closing	78,715,513		120,768,941	

As per our Report attached

For and on behalf of

MURUGESH & CO.,*Chartered Accountants*

Firm Reg No. 002233S

H B M MURUGESH*Proprietor*

Membership No.: 020497

Bangalore

Date: November 07, 2013

For GOKAK POWER AND ENERGY LIMITED

SHAPOOR P. MISTRY

Chairman

H. S. BHASKAR

Executive Director

S. MUKUNDAN

Director

C. G. SHAH

Director

KAIWAN KALYANIWALLA

Director

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

1 Corporate Information

Gokak Power and Energy Limited is Public Company incorporated on 17th January 2012 under the provisions of Companies Act 1956. The Company is in the business of generation/producing electric power. The Company has 10.8 MW of Hydro power plant. The Company is selling power generated from this combination of long term Power Purchase Agreements and on merchant basis.

2 Preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

3 Accounting Policies

(a) Use of Estimates :

The presentation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses and disclosure of contingent liabilities. Such estimates and assumptions are based on management's evaluation of relevant fact and circumstances as on the date of financial statements. The actual outcome may diverge from the estimates.

(b) Fixed Assets :

Fixed assets are stated at cost less accumulated depreciation. Cost includes purchase price and any other directly attributable costs of bringing the assets to its working condition for its intended use. Adjustments arising from the exchange rates variances relating to liabilities attributable to fixed assets are expensed out.

(c) Depreciation /Amortisation:

Depreciation is provided on pro-rata basis on the straight line method at the rates specified in Schedule XIV to the Companies Act, 1956, except for vehicle which is depreciated on written down value method. Items costing less than and up to Rs.5,000 are fully depreciated in the year of purchase.

(d) Investments :

Investments are classified into long-term and current investments. Long-term investments are carried at cost. Provision for diminution, if any, in the value of each long-term investment is made to recognise a decline, other than of a temporary nature. The fair value of a long-term investment is ascertained with reference to its market value, the investee's assets and results and the expected cash flows from the investment.

(e) Borrowing cost :

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised for the period until the asset is ready for its intended use. A qualifying asset is an asset that necessarily takes substantial period of time to get ready for its intended use. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(f) Revenue recognition :

Sales are accounted for on dispatch of goods to the customers and are net of sales tax.

(g) Operating expenses :

Operating expenses and standing charges are charged to revenue on accrual basis.

(h) Provisions and Contingent Liability

A provision is recognised when enterprise has present obligation as a result of past event; it is probable that an outflow of resources will be required to the obligations, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Reimbursement against a provision is recognised as a separate asset based on virtual certainty. Contingent Assets are not recognised.

(i) Accounting for Taxes on Income

Tax expense for the year comprises of current tax and deferred tax. Current Income Tax is measured at the amount expected to be paid to the tax authorities in accordance with Indian Income Tax Act. Deferred Tax Assets and Liabilities are measured using tax rates and tax laws that have been enacted / substantively enacted as on the balance sheet date. Provision for deferred tax is made for all temporary timing difference arising between the taxable income and accounting income at currently enacted tax rates. Deferred tax assets, other than un-absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets on un-absorbed tax losses and tax depreciation, subject to the consideration of prudence, are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred Tax Assets/Liabilities are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013****(j) Earnings per Share**

The Company reports basic and diluted earnings per equity share in accordance with AS-20, on Earnings Per Share. Basic earnings per equity share have been computed by dividing net profit after tax by the weighted average number of equity shares outstanding for the year. Diluted earnings per equity share have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year.

(k) Impairment

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such condition exists, the company estimates the recoverable amount of the assets. If the recoverable amount of such assets or recoverable amount of cash generating units to which the assets belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the Balance Sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at lower of historical cost or recoverable amount.

4 Share Capital

Particulars	September 30, 2013		September 30, 2012	
	Nos.	₹	Nos.	₹
Authorised: Equity shares of ₹10/- each	49,000,000	490,000,000	49,000,000	490,000,000
Issued, Subscribed & paid up Equity shares of ₹10/- each fully paid	49,000,000	490,000,000	49,000,000	490,000,000
Total	49,000,000	490,000,000	49,000,000	490,000,000

(A) Reconciliation of equity shares outstanding at the beginning and end of the reporting year

Particulars	September 30, 2013		September 30, 2012	
	Nos.	₹	Nos.	₹
Shares outstanding at the beginning of the year	49,000,000	490,000,000	49,000,000	490,000,000
Add : Shares issued during the year	—	—	—	—
Less : Shares bought back during the year	—	—	—	—
Shares outstanding at the end of the year	49,000,000	490,000,000	49,000,000	490,000,000

(B) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 30th September 2012, the amount of per share dividend recognized as distributions to equity shareholders is NIL .

(C) Details of shares held by shareholders holding 5% of the aggregate shares in the Company

Name of the Shareholder	September 30, 2013		September 30, 2012	
	No.	%	No.	%
Gokak Textiles Limited	24,990,000	51	4,990,000	51
Shapoorji Pallonji Infrastructure Capital Company Limited	2,410,000	49	2,410,000	49

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

5 Reserves & Surplus

	September 30, 2013 ₹	September 30, 2012 ₹
General Reserve		
Opening Balance	(29,530,175)	–
(+) Transfer from Profit and Loss	(25,271,131)	(29,530,175)
(-) Utilised for creation of Capital redemption reserve	–	–
(-) Utilised for premium on buy back of shares	–	–
Closing Balance	(54,801,306)	(29,530,175)
Surplus in Statement of Profit and Loss		
Opening balance	–	–
(+) Net profit for the current year	(54,801,306)	(29,530,175)
(-) Transfer to General Reserve	–	–
Closing Balance	(54,801,306)	(29,530,175)

6 Long Term borrowings

	September 30, 2013 ₹	September 30, 2012 ₹
Secured		
Term Loan	791,200,000	860,000,000
Total	791,200,000	860,000,000

Nature of Security : First ranking mortgage/hypothecation/assignment/security interest /charge /pledge on all the moveable, immovable both present and future, all rights,titles,permits,approvals and interests of the Company in, to and in respect of all the assets of the Company, all clearances in relation to the project as well as in the project documents, all contractor guarantees, performance bonds and any letter of credit provided to the Company, all insurance contracts,all bank accounts in relation to the project and pledge of equity shares representing 30% of the shares.

Note: The Borrower shall maintain a DSRA during the currency of the facility equivalent to an amount equal to ensuing 6 months Debt servicing obligation.

7 Other Current Liabilities

	September 30, 2013 ₹	September 30, 2012 ₹
Current Maturities of Long Term Borrowings	68,800,000	–
Interest Accrued but not due	4,808,708	883,562
Audit Fee payable	112,360	100,000
Deposits	10,000,000	51,212
Other Payables	5,306,584	15,919,820
Total	89,027,652	16,954,594

There are no amounts due for payments to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956 as at the year end.



NOTES TO FINANCIAL STATEMENTS FOR THE YEARENDED SEPTEMBER 30, 2013

8 Fixed Assets

Description of Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	Opening Rupees	Addition Rupees	Deductions Rupees	Gross Rupees	Cumulative depreciation upto 01.10.12 Rupees	Depreciation for the year Rupees	Cumulative depreciation upto 30.09.13 Rupees	As on 30th Sep, 2013 Rupees	
A. Tangible Assets									
Building	735,409,772	7,651,892	-	743,061,664	201,885	24,599,096	24,800,981	718,260,683	
Plant and Machinery	464,520,000	57,512,453	-	522,032,453	201,589	24,959,276	25,160,865	496,871,588	
Furniture, Fixtures and Office Equipment	70,228	13,076	-	83,304	37	4,563	4,600	78,704	
Total Tangible Assets	1,200,000,000	65,177,421	-	1,265,177,421	403,511	49,562,935	49,966,446	1,215,210,975	
Previous Year	-	1,200,000,000	-	1,200,000,000	-	403,511	403,511	1,199,596,489	
B. Intangible Assets									
Computer Software	-	54,000	-	54,000	-	54,000	54,000	-	
Total	-	54,000	-	54,000	-	54,000	54,000	-	
Previous Year	-	-	-	-	-	-	-	-	

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013

9 Trade Receivable

	September 30, 2013 ₹	September 30, 2012 ₹
Outstanding for more than 6 months	–	–
Others	17,987,700	–
Total	17,987,700	–

10 Cash and Bank Balances

	September 30, 2013 ₹	September 30, 2012 ₹
Cash on Hand	35,096	600
<u>Balances with banks</u> In Current accounts	78,680,417	120,768,341
Total	78,715,513	120,768,941

11 Short-term Loans and advances

	September 30, 2013 ₹	September 30, 2012 ₹
Unsecured, considered good		
Prepaid Expenses	2,579,090	725,369
Interest Accrued	2,878,938	–
Advance to Suppliers	1,602,477	–
Total	7,060,505	725,369

12 Revenue from Operations

	September 30, 2013 ₹	September 30, 2012 ₹
Revenue from Operations		
Sale of Products	157,058,896	413,800
Other Income	3,574,287	–
Total	160,633,183	413,800

13 Employee Benefit Expense

	September 30, 2013 ₹	September 30, 2012 ₹
Salaries, Wages, Bonus and Exgratia	6,720,183	51,212
Total	6,720,183	51,212

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2013****14 Other Expenses**

	September 30, 2013 ₹	September 30, 2012 ₹
Hydro generating expenses	43,613	-
Rates and Taxes	1,482,695	4,577,772
Insurance	2,059,951	6,095
Legal and Professional Fees	1,188,248	60,000
Printing and Stationery	46,175	5,933
Travelling and Conveyance	160,999	57,834
Administrative expenses	100,619	4,293
Water Royalty Charges	8,093,743	-
Freight & Handling	29,406	-
Repair & Maintenance	1,184,476	-
Audit Fees	160,113	100,000
Courier Expense	1,820	-
Electricity Charges	95,651	-
Consumables	188,753	-
Stores & Spares A/c	1,451,299	-
Total	16,287,561	4,811,927

15 Finance Cost

	September 30, 2013 ₹	September 30, 2012 ₹
Finance Charges	277,379	23,793,763
Interest on Term Loan	113,002,255	883,562
Total	113,279,634	24,677,325

- 16** Disclosure of Trade Payables under current liabilities is based on the information available with the company regarding the status of the suppliers as defined under the "Micro Small and Medium Enterprises Development Act, 2006". Amounts overdue as on September 30, 2013 to Micro, Small and Medium Enterprises on account of Principal amount together with interest, aggregate to Rs. Nil (Previous year Rs. Nil)
- 17** In the opinion of the Management, the Current Assets, Loans and Advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet. The provision for depreciation and all liabilities is adequate and not in excess of the amount reasonably necessary
- 18** Earning per share is calculated by dividing the Profit / (Loss) attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year. The numbers used in calculating basic and diluted earnings are stated below:

	September 30, 2013 ₹	September 30, 2012 ₹
Net Profit after Tax for the year (Rs.)	(25,271,131)	(29,530,175)
Weighted average number of Equity Shares outstanding	49,000,000	1,506,421
Nominal Value of Share (Rs.)	10	10
Earnings Per share (Basic and Diluted) (Rs.)	(0.52)	(19.60)