

GOKAK POWER & ENERGY LIMITED
A SUBSIDIARY COMPANY



DIRECTORS : MUKUNDAN SRINIVASAN – *Chairman*
H.S.BHASKAR – *Managing Director*
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

Annual Report
2013 - 2014

DIRECTORS' REPORT

To,
The Shareholders
Your Directors are pleased to present their Third Report and Audited Accounts of the Company for the year ended 30th September, 2014.

1. FINANCIAL RESULTS:

The summarized financial results are set out below :

Particulars	For the year from 01.10.2013 to 30.09.2014 ended 30 th September, 2014	For the year from 01.10.2012 to 30.09.2013 ended 30 th September, 2013
	(Rs. in Lakhs)	
(a) Gross Revenue	1934.60	1606.33
<i>Less: Costs</i>	280.75	230.08
(b) Balance	1653.85	1376.25
<i>Less: Interest</i>	1180.53	1132.79
(c) Cash Profit/(Loss)	473.32	243.46
<i>Less: Depreciation</i>	523.87	496.17
(d) Profit /(Loss) after depreciation carried to Balance Sheet	(50.55)	(252.71)
<i>Add: Deferred Tax Asset</i>	188.42	-
(e) Net Profit/ (Loss)	137.87	(252.71)

2. SHARE CAPITAL & DIVIDEND:

The Paid up Share Capital of the Company is Rs.49 Crores. Your Directors do not recommend any dividend for the year.

3. OPERATIONS :

During the year under review, your Company has made a Net profit of Rs.137.87 lakhs after adding Deferred Tax Assets of Rs.188.42 lakhs. Coupled with the delayed monsoon by 30 days, the overall flow of water in the Falls is reduced in terms of number of days during the financial year under review. As a result of which, Company lost the generation of electric power to the tune of 10 million units affecting the revenue by around Rs.5 crores including that of Renewable Energy Certificate. As a result of less generation, the company has faced an operating loss of Rs.50.55 lakhs. If the monsoon were to be normal, Company would have recorded healthy operating profit.

Mini Hydro projects are entitled for Renewable Energy Certificates in proportion to its generation. Company has accounted Renewable Energy Certificate's on accrued basis.

4. DIRECTORS:

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

As per the provisions of Section 149,150,152 and other applicable provisions of the Companies Act, 2013, and Rules made their under it is proposed to appoint Mr.Kaiwan Kalyaniwalla as an Independent Director for a term of five consecutive years and he shall not be liable to retire by rotation. Mr.Kaiwan Kalyaniwalla

has given declaration to the Company in terms of provisions of Section 149(6) of the Companies Act, 2013 read with Schedule IV of the Act, and he meets the criteria of independence. Accordingly, resolutions proposing appointment of Independent Director form part of the Notice of the Annual General Meeting.

Particulars of Directors, who are proposed to be appointed /re-appointed at the ensuing Annual General Meeting are furnished as a separate statement Annexed to the Explanatory Statement of the Notice.

None of the Directors are disqualified from being appointed as Directors as specified in terms of Section 164 of the Companies Act, 2013.

5. DIRECTORS RESPONSIBILITY STATEMENT:

Pursuant to the provisions of Section 134(3)(c) of the Companies Act, 2013 and based on the representations received from the operating management, the Directors hereby confirm that :-

- a. in the preparation of the annual accounts for the financial year from 01.10.2013 to 30.09.2014, 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 judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit 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 Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. that they have prepared the annual accounts for the financial year from 01.10.2013 to 30.09.2014 on a 'going concern' basis
- e. that they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively and
- f. that they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

6. AUDITORS AND AUDIT REPORT:

Messrs. Muruges & Co., Chartered Accountants are proposed to be reappointed as 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 6th Annual General Meeting of the Company to be held during 2017 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 for the water year 2014 delayed almost a month, which resulted into loss of power generation by approximately 10 million units thereby affecting the revenue of the Company substantially. During the latter part of monsoon season Hidkal Dam which has a capacity of 49 TMC has filled up. As of date large quantity of water is available in the Dam. Due to delayed monsoon, Irrigation Department was unable to provide the full quantity of water to Kharif crop. In order to sustain agriculture production, Irrigation Department may release more water for Rabi crops. This coupled with the increase in command area may result into shortage of water during future months, which may affect the generation of power consequently affecting the bottom line.

Your Company has identified additional two hydro power projects in Bhadra river bank in the State of Karnataka. These two hydro projects have a potential of installing 9 MW hydro power plant each. Company has made application to Government of Karnataka for approval of these two projects as per Karnataka Renewable Energy Policy. Company expects to receive the approval during the coming financial year.

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

S Mukundan
Chairman

Mumbai
10th November, 2014.

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

Annexure

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 2013-2014:

1. Replaced ordinary ballast by new electronic ballast in the tube light.
2. Replaced CFL/LED type streetlights in place of sodium vapour lamps.
3. Continuous monitoring of water leakages and oil leakages to reduce the pump operation
4. Sand Blasting and Sealing of all joints by Rock cement and Epoxy to prevent H₂ O leakage, water leakages in RCC penstock for saving water and thereby increasing power generation.

(b) ADDITIONAL INVESTMENT PROPOSALS:

1. Oil and Water leakages to be attended to reduce the auxiliary power consumption.
2. Adopting Scientific Method to prevent water leakage in Open Canal to save water and thereby increase the power generation.
3. Timers and sirens are to be fixed for Switching ON/OFF lightening for inside and outside powerhouse.
4. Ventilation and Exhaust fan automation to control required temperature by utilising temperature controller to save auxiliary energy consumption.

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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 **GOKAK POWER & ENERGY LIMITED** (the "Company"), which comprise the Balance Sheet as at September 30, 2014, Statement of Profit and Loss and Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

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 notified under 'the Companies Act, 1956' of India (the "Act") read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate 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.

Auditors' 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 and other applicable authoritative pronouncements 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 auditors' 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 auditors consider 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 entity'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 accompanying 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 Balance Sheet, of the state of affairs of the Company as at September 30, 2014;
- (b) in case of Statement of Profit and Loss, of the Profit for the year ended on that date; and
- (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

As required by 'the Companies (Auditor's Report) Order, 2003', as amended by 'the Companies (Auditor's Report) (Amendment) Order, 2004', issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (hereinafter referred to as the "Order"), and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

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 & 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 & Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards notified under the Act read with the General Circular 15/ 2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013;
- (e) On the basis of written representations received from the directors as on September 30, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on September 30, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For MURUGESH & Co.,
Chartered Accountants
FRN 002233S

H.B.M.MURUGESH
Proprietor

Place : Bangalore
Date : 10th November, 2014

M. No. 020497



ANNEXURE TO THE INDEPENDENT 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. (a) As explained to us, inventories have been physically verified during the year by the management at reasonable intervals.
(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
(c) In our opinion and on the basis of our examination of the records, the Company is generally maintaining proper records of its inventories. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.
- 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, 2014 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 term loans were applied for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet and cash flows of the Company and the information & explanations given to us, 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 : 10th November, 2014

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BALANCE SHEET AS AT SEPTEMBER 30, 2014

	Note	September 30, 2014	September 30, 2013
		₹	₹
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share Capital	4	490,000,000	490,000,000
(b) Reserves and Surplus	5	<u>(41,014,306)</u>	<u>(54,801,306)</u>
		448,985,694	435,198,694
2. Non-current liabilities			
(a) Long Term Borrowings	6	725,150,000	791,200,000
(b) Other Long Term Liabilities	7	10,000,000	10,000,000
(c) Long Term Provisions	8	<u>3,626,138</u>	<u>3,644,415</u>
		738,776,138	804,844,415
3. Current liabilities			
(a) Short Term Borrowings		-	-
(b) Trade payables		-	-
(c) Other Current Liabilities	9	146,622,260	79,027,652
(d) Short-Term Provisions		-	-
		<u>146,622,260</u>	<u>79,027,652</u>
TOTAL		<u>1,334,384,093</u>	<u>1,319,070,761</u>
II. ASSETS			
1. Non-current assets			
(a) Fixed Assets			
Tangible assets	10	1,162,832,550	1,215,210,975
Intangible assets		-	-
Capital Work in Progress		<u>9,591,298</u>	<u>96,068</u>
		1,172,423,848	1,215,307,043
(b) Deferred Tax Asset (Net)	11	18,842,363	-
(c) Long-Term Loans And Advances		-	-
		<u>1,191,266,211</u>	<u>1,215,307,043</u>
2. Current assets			
(a) Inventories	12	971,765	-
(b) Trade Receivables	13	2,304,473	17,987,700
(c) Cash And Cash Equivalents	14	80,054,511	78,715,513
(d) Other Current Assets	15	<u>59,787,133</u>	<u>7,060,505</u>
		143,117,882	103,763,718
TOTAL		<u>1,334,384,093</u>	<u>1,319,070,761</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: 10th November, 2014

For GOKAK POWER AND ENERGY LIMITED

Mukundan Srinivasan
Chairman

H. S. Bhaskar
Managing Director

C. G. Shah
Director

Kaiwan Kalyaniwalla
Director

Govinda R Kadekar
Chief Financial Officer

K Ramananda Pai
Company Secretary

**PROFIT AND LOSS FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Note	September 30, 2014 ₹	September 30, 2013 ₹
REVENUE			
Revenue from operations	16	129,752,986	157,058,896
Other Income	16	63,707,293	3,574,287
Total Revenue		193,460,279	160,633,183
EXPENSES			
Cost of Raw Materials Consumed		—	—
Employee Benefit Expenses	17	8,538,873	6,720,183
Other expenses	18	19,535,921	16,287,561
Depreciation	10	52,387,415	49,616,935
Finance Costs	19	118,053,433	113,279,634
Total expenses		198,515,642	185,904,314
Profit \ (Loss) before tax		(5,055,363)	(25,271,131)
Tax expense			
Current tax			
Current year		—	—
Adjustments of earlier years		—	—
Deferred tax	11	18,842,363	—
Profit \ (Loss) for the year		13,787,000	(25,271,131)
Earnings per share (in Rs) (Basic and Diluted)		0.28	(0.52)
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: 10th November, 2014

For GOKAK POWER AND ENERGY LIMITED

Mukundan Srinivasan

Chairman

H. S. Bhaskar

Managing Director

C. G. Shah

Director

Kaiwan Kalyaniwalla

Director

Govinda R Kadekar

Chief Financial Officer

K Ramananda Pai

Company Secretary

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CASH FLOW STATEMENT FOR THE YEAR ENDED SEPTEMBER 30, 2014

Particulars	Year ended 30.09.2014		Year ended 30.09.2013	
	₹	₹	₹	₹
A. Cash Flow from Operating Activities :				
Profit(Loss) for the year		(5,055,363)		(25,271,131)
<i>Adjustments for:</i>				
Depreciation for the year(Net of adjustments,if any)	52,387,415		49,616,935	
Finance Cost	118,053,433		113,279,634	
Interest & Dividend Income	(6,895,712)		(3,387,501)	
Provision for Long Term	(18,277)		3,644,415	
(Profit)/Loss on Sale of Fixed Assets	–	163,526,859	–	163,153,483
Operating Profit (before working capital changes)		158,471,496		137,882,352
<i>Adjustments for:</i>				
Inventory	(971,765)		–	
Receivables	15,683,227		(17,987,700)	
Short Term Loans Advances & Other Current Assets	(52,726,628)		(6,335,136)	
Current Liabilities	67,594,608	29,579,442	72,073,058	47,750,222
Cash Flows from Operations (before Interest and Tax)		188,050,939		185,632,574
Income Tax paid	–		–	
Wealth Tax paid	–	–	–	–
Net cash from operating activities		188,050,939		185,632,574
B. Cash Flow from Investing Activities :				
Purchase of Fixed assets	(9,504,220)		(48,993,869)	
Interest received	6,895,712		3,387,501	
Profit on Sale of Fixed Assets	–		–	
Net cash used in investing activities		(2,608,508)		(45,606,368)
C. Cash Flow from Financing Activities :				
Proceeds from Issue of Shares	–		–	
Long Term Borrowings and Provision	(66,050,000)		(68,800,000)	
Finance Cost (Excl Exchange Loss)	(118,053,433)		(113,279,634)	
Foreign Exchange Fluctuations				
Net cash from financing activities		(184,103,433)		(182,079,634)
Net increase/ (decrease) in cash and cash equivalents		1,338,998		(42,053,428)
Cash and cash equivalents as at beginning		78,715,513		120,768,941
Cash and cash equivalents as at closing		80,054,511		78,715,513

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: 10th November, 2014

For GOKAK POWER AND ENERGY LIMITED

Mukundan Srinivasan
Chairman

H. S. Bhaskar
Managing Director

C. G. Shah
Director

Kaiwan Kalyaniwalla
Director

Govinda R Kadekar
Chief Financial Officer

K Ramananda Pai
Company Secretary



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2013 TO 30th SEPTEMBER, 2014

1. Corporate Information

Gokak Power and Energy Limited is public company incorporated on 17th January 2012 under the provisions of Company's 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 :

Income from Power Generation: Sales are accounted for on transmission of power to the customers and are net of taxes.

Income from Power Incentive: Revenue from Renewable Energy Certificates is recognised on accrual basis.

(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.

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NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2013 TO 30th SEPTEMBER, 2014

(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, 2014		September 30, 2013	
	Nos.	₹	Nos.	₹
Authorised: Equity Shares of ₹10 each	50,000,000	500,000,000	50,000,000	500,000,000
Issued, Subscribed and 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, 2014		September 30, 2013	
	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.

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

Name of the Shareholder	September 30, 2014		September 30, 2013	
	No.	%	No.	%
Gokak Textiles Limited	24,990,000	51%	24,990,000	51%
Shapoorji pallonji Infrastructure Capital Company Limited	24,010,000	49%	24,010,000	49%

**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2013 TO 30th SEPTEMBER, 2014****5. Reserves & Surplus**

	September 30, 2014 ₹	September 30, 2013 ₹
General Reserve		
Opening Balance		—
(+) Transfer from Profit and Loss	—	—
(-) Utilised for creation of Capital redemption reserve	—	—
(-) Utilised for premium on buy back of shares	—	—
Closing Balance	—	—
Surplus\ (Deficit) in Statement of Profit and Loss		
Opening balance	(54,801,306)	(29,530,175)
(+) Net profit for the current year	13,787,000	(25,271,131)
(-) Transfer to General Reserve	—	—
Closing Balance	(41,014,306)	(54,801,306)

6. Long Term borrowings

	September 30, 2014 ₹	September 30, 2013 ₹
Secured		
Term Loan	725,150,000	791,200,000
Total	725,150,000	791,200,000

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 Long Term Liabilities

	September 30, 2014 ₹	September 30, 2013 ₹
Deposits from Customers	10,000,000	10,000,000
Total	10,000,000	10,000,000

8. Long Term Provisions

	September 30, 2014 ₹	September 30, 2013 ₹
Provision For Gratuity	2,956,932	3,021,920
Provision For Leave Encashment	669,206	622,495
Total	3,626,138	3,644,415

9. Other Current Liabilities

	September 30, 2014 ₹	September 30, 2013 ₹
Current Maturities of Long Term Borrowings	60,450,000	68,800,000
Interest Accrued but not due	4,777,164	4,808,708
Advance received from Customer	76,168,042	—
Deposits	589,878	117,823
Other Payables	4,637,177	5,301,121
Total	146,622,260	79,027,652

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 PERIOD FROM 1st OCTOBER 2013 TO 30th SEPTEMBER, 2014

10. Fixed Assets

(Amount in ₹)

Description of Assets	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	Opening balance as on Oct 1, 2013	Addition	Deduction	Closing balance as on Sept. 30, 2014	Cumulative depreciation upto Oct 1, 2013	Depreciation for the year	Cumulative Depreciation upto 30th SEPT, 2014	As on Sept 30, 2014	As on Sept 30, 2013
A Tangible Assets									
Building	743,061,664	-	-	743,061,664	24,800,981	24,818,260	49,619,241	693,442,423	718,260,683
Plant and Machinery	522,032,453	-	-	522,032,453	25,160,865	27,563,314	52,724,179	469,308,274	496,871,588
Furniture, Fixtures and Office Equipment	83,304	8,990	-	92,294	4,600	5,842	10,442	81,852	78,704
Total Tangible Assets	1,265,177,421	8,990	-	1,265,186,411	49,966,446	52,387,415	102,353,861	1,162,832,550	1,215,210,975
Previous Year	1,200,000,000	65,177,421	-	1,265,177,421	403,511	49,562,935	49,966,446	1,215,210,975	1,199,596,489
B Intangible Assets									
Computer Software	54,000	-	-	54,000	54,000	-	54,000	-	-
Total Intangible Assets	54,000	-	-	54,000	54,000	-	54,000	-	34,937,978
Previous Year	-	54,000	-	54,000	-	54,000	54,000	-	-

**NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2013 TO 30th SEPTEMBER, 2014****11. Deferred Tax Asset**

	September 30, 2014 ₹	September 30, 2013 ₹
Tax effect of items constituting deferred tax assets:		
Unabsorbed depreciation and brought forward business loss	93,513,282	–
Provision for Gratuity & Leave Encashment	1,120,477	–
Tax effect of items constituting deferred tax liability:		
on difference between book balance & tax balance of fixed assets	(75,791,396)	–
Total	18,842,363	–

The Company has recognised deferred tax asset on unabsorbed depreciation and brought forward business losses based on the management's estimates of future profits considering the non-cancellable customer orders received by the Company.

12. Inventory

	September 30, 2014 ₹	September 30, 2013 ₹
Stores & Spares	971,765	–
Total	971,765	–

13. Trade Receivable

	September 30, 2014 ₹	September 30, 2013 ₹
Outstanding for more than 6 months	–	–
Others	2,304,473	17,987,700
Total	2,304,473	17,987,700

14. Cash and Bank Balances

	September 30, 2014 ₹	September 30, 2013 ₹
Cash on Hand	9,896	35,096
<u>Balances with banks</u>		
In Current accounts	999,198	18,680,417
Deposit account IN DSRA	79,045,417	60,000,000
Total	80,054,511	78,715,513

15. Other Current Assets

	September 30, 2014 ₹	September 30, 2013 ₹
<u>Unsecured, considered good</u>		
Prepaid Expenses	976,875	2,579,090
TDS Receivable	676,886	–
Interest Accrued	3,010,141	2,878,938
Deposit	22,000	–
REC Income receivable	53,167,500	–
Advance to Suppliers	1,933,731	1,602,477
Total	59,787,133	7,060,505

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NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2013 TO 30th SEPTEMBER, 2014

16. Revenue from Operations

	September 30, 2014 ₹	September 30, 2013 ₹
Sale of Products	129,752,986	157,058,896
Other Income	63,707,293	3,574,287
Total	193,460,279	160,633,183

17. Employee Benefit Expenses

	September 30, 2014 ₹	September 30, 2013 ₹
Salaries, Wages, Bonus and Exgratia	8,538,873	6,720,183
Total	8,538,873	6,720,183

18. Other Expenses

	September 30, 2014 ₹	September 30, 2013 ₹
Hydro generating expenses	–	43,613
Rates and Taxes	1,130,693	1,482,695
Insurance	3,596,731	2,059,951
Legal and Professional Fees	2,906,109	1,188,248
Printing and Stationery	33,306	46,175
Travelling and Conveyance	279,619	160,999
Administrative expenses	74,206	102,439
Water Royalty Charges	6,366,623	8,093,743
Freight & Handling	36,261	29,406
Repairs & Maint	1,559,930	1,184,476
Audit Fees	146,068	160,113
Electricity Charges	148,842	95,651
Consumables	–	188,753
Stores & Spares consumed	3,257,534	1,451,299
Total	19,535,921	16,287,561

19. Finance Cost

	September 30, 2014 ₹	September 30, 2013 ₹
Finance Charges	282,885	277,379
Interest on Term Loan	117,770,548	113,002,255
Total	118,053,433	113,279,634



NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2013 TO 30th SEPTEMBER, 2014

20. Gratuity

	September 30, 2014 ₹	September 30, 2013 ₹
a) Change in Present Value of Obligation		
Present value of the obligation at the beginning of the year	2,778,636	2,653,017
Benefits earned during the year	-	368,903
Current Service Cost	82,814	-
Interest Cost	257,024	-
Past Service Cost - Vested Benefit	-	-
Actuarial (Gain) / Loss on Obligation	-	-
Benefits Paid	(161,852)	-
Present value of the obligation at the end of the year	2,956,622	3,021,920
b) Change in Plan Assets		
Fair value of Plan Assets at the beginning of the year	-	-
Expected return on Plan Assets	-	-
Actuarial Gain / (Loss) on Plan Assets	-	-
Contributions by Plan Participants	-	-
Benefits Paid	-	-
Fair value of Plan Assets at the end of the year	-	-
c) Amounts Recognised in the Balance Sheet:		
Present value of Obligation at the end of the year	2,956,622	3,021,920
Fair value of Plan Assets at the end of the year	-	-
Net Obligation at the end of the year	2,956,622	3,021,920
d) Amounts Recognised in the statement of Profit & Loss		
Current Service Cost	82,814	-
Interest cost on Obligation	257,024	-
Expected return on Plan Assets	-	-
Net Actuarial (Gain) / Loss recognised in the year	-	-
Past Service Cost - Vested Benefit recognised in the year	-	-
Expenses recognized in Profit & Loss Account	339,838	-
e) Actual return on Plan Assets		
Expected return on Plan Assets	-	-
Actuarial Gain / (Loss) on Plan Assets	-	-
Actual return on Plan Assets	-	-
f) Actuarial Assumptions		
i) Discount Rate	8.87%	9.25%
ii) Expected Rate of Return on Plan Assets	-	-
iii) Salary Escalation Rate	5.00%	5.00%
iv) Attrition Rate	2.00%	2.00%
v) Mortality	LIC 1994-96 Ultimate	LIC 1994-96 Ultimate

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

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NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1st OCTOBER 2013 TO 30th SEPTEMBER, 2014

21. 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, 2014 to Micro, Small and Medium Enterprises on account of Principal amount together with interest, aggregate to Rs. Nil (Previous year Rs. Nil)
22. 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
23. 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, 2014 ₹	September 30, 2013 ₹
Net Profit after Tax for the year (Rs.)	13,787,000	(25,271,131)
Weighted average number of Equity Shares outstanding	49,000,000	49,000,000
Nominal Value of Share (Rs.)	10	10
Earnings Per share (Basic and Diluted) (Rs.)	0.28	(0.52)

24. Related Party Disclosures:

Names of the related parties and description of relationship

- A I) **Holding Company/Ultimate Holding Company**
Gokak Textiles Limited
- II) **Subsidiaries**
- III) **Associate Companies**
Shapoorji Pallonji Infrastructure Capital Company Limited
- IV) **Key Managerial Personnel:**
Mr. H. S. Bhaskar : Managing Director

B Particulars of transaction with Related Parties

(Amount in ₹)

Nature of Transactions	Holding Company	Subsidiaries	Key Managerial Personnel
Sales	129,049,274	–	–
<i>Previous Year</i>	157,058,896	–	–
Purchase of Fixed Assets	–	–	–
<i>Previous Year</i>	–	–	–
Payables	76,168,042	–	–
<i>Previous Year</i>	15,919,820	–	–

25. Figures of previous year have been regrouped/recast/rearranged wherever necessary, to conform to the current year’s presentation.