

INDEPENDENT AUDITOR'S REPORT

To the Members of Tato Hydro Power Private Limited Report on the Financial Statements

1. We have audited the accompanying financial statements of Tato Hydro Power Private Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, 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

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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, of the state of affairs of the Company as at 31st March, 2016, and its loss and its cash flows for the year ended on that date.

INDEPENDENT AUDITOR'S REPORT
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Report on the Financial Statements
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Report on Other Legal and Regulatory Requirements

9. As required by 'the Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), and in terms of the information and explanations sought by us and given by the Company and the books and the records examined by us in the normal course of audit and to the best of our knowledge and belief, we give in the Annexure "A" a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. Further to our comments in the Annexure A, and as required by Section 143 (3) of the Act, we report that:
- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it 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 aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i) The Company does not have any pending litigations which would impact its financial position of the Company.
 - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Chaturvedi and Shah
Chartered Accountants
Firm Registration No. 101720W

Vijay Napawaliya
Partner
Membership No. 109859

Place: Mumbai
Date: May 20, 2016

Annexure A to Independent Auditors' Report

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Tato Hydro Power Private Limited on the financial statements as of and for the year ended March 31, 2016
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- (i) In respect of its fixed assets: -
- a) The Company has maintained proper records, showing full particulars including quantitative details and situation of its fixed assets.
 - b) The fixed assets of the Company have been physically verified by the management during the year and no material discrepancies between book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
 - c) In respect of immovable property of land that have been taken on lease and disclosed as fixed assets in the financial statements, the lease agreement is in the name of the Company.
- (ii) The Company does not have any inventory. Therefore the provisions of clause 3 (ii) of Order is not applicable.
- (iii) According to the information and explanations given to us, during the year the Company has not granted any loans secured/unsecured to companies, firms, Limited Liability Partnership or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Thus, paragraph 3 (iii) of the Order is not applicable to the Company.
- (iv) The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- (v) The Company has not accepted any deposits from the public within the meaning of sections 73 to 76 of the Act and the rules framed there under to the extent notified. During the year under audit, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve bank of India or any other tribunal.
- (vi) The Central Government of India pursuant to the Companies (Cost Records and Audit) Amendment Rules, 2014, ('Rules') has prescribed the maintenance of cost records under sub-section (1) of Section 148 of the Act to the Company. However, the Rules are not applicable to the Company, as the Company has not started commercial operations.
- (vii) In respect of statutory dues:
- a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues. Further, there are no undisputed amounts payable outstanding as at March 31, 2016 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 are no dues of income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax which have not been deposited on account of any dispute.
- (viii) According to the information and explanations given to us, and based on our audit procedures, we are of the opinion that the Company has not taken any loan from a financial institution, bank, Government, nor it has issued debentures. Therefore, the provisions of the Clause 3 (viii) of the said order are not applicable to the Company.

Annexure A to Independent Auditors' Report

Referred to in paragraph 9 of the Independent Auditors' Report of even date to the members of Tato Hydro Power Private Limited on the financial statements as of and for the year ended March 31, 2016
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- (ix) In our opinion and according to the information and explanations given to us, the Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) and term loans during the year under audit. Therefore, the provisions of the Clause 3 (ix) of the said order are not applicable to the Company.
- (x) During the course of our examination of the 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 instance of fraud by the Company or any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the management.
- (xi) The Company has not paid managerial remuneration, accordingly, paragraph 3 (xi) of the Order is not applicable to the Company.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company, accordingly, paragraph 3 (xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, all transactions with related parties are in accordance with the provisions of Section 177 and Section 188 of the Companies Act, 2013. The details of related party transactions have been disclosed in the financial statements as required under Accounting Standard 18, Related Party Disclosures specified under section 133 of the Act, read with Rule 7 of Companies (Accounts) Rules, 2014.
- (xiv) In our opinion and according to the information and explanations given to us, during the year under audit, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under audit. Hence the provisions of clause 3 (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not entered any non-cash transactions with directors and persons connected with him. Hence the provisions of clause 3 (xv) of the Order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934, therefore clause 3 (xvi) of the Order is not applicable to the Company.

For Chaturvedi and Shah
Chartered Accountants
Firm Registration No. 101720W

Vijay Napawaliya
Partner
Membership No. 109859

Place: Mumbai
Date: May 20, 2016

Annexure 'B' to Independent Auditors' Report

Referred to in paragraph 10 (f) of the Independent Auditors' Report of even date to the members of Tato Hydro Power Private Limited on the financial statements for the year ended March 31, 2016
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Report on the Internal Financial Controls under Clause (f) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Tato Hydro Power Private Limited** ("the Company") as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Annexure 'B' to Independent Auditors' Report

Referred to in paragraph 10 (f) of the Independent Auditors' Report of even date to the members of Tato Hydro Power Private Limited on the financial statements for the year ended March 31, 2016
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Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Chaturvedi and Shah
Chartered Accountants
Firm Registration No. 101720W

Vijay Napawaliya
Partner
Membership No. 109859

Place: Mumbai
Date: May 20, 2016

Tato Hydro Power Private Limited
Balance Sheet as at March 31, 2016

Particulars	Note	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
Equity and Liabilities			
Shareholders' funds			
Share capital	3.1	808,300	808,300
Reserves and surplus	3.2	629,778,658	629,784,688
Non-current liabilities			
Long term provisions	3.3	2,370,969	2,286,411
Current liabilities			
Short-term borrowings	3.4	92,500,000	48,500,000
Other current liabilities	3.5	17,110,354	14,047,050
Short-term provisions	3.6	800,413	482,821
Total		743,368,694	695,909,270
Assets			
Non-current assets			
Fixed assets			
Tangible assets	3.7	4,706,600	5,614,092
Intangible Assets	3.7	-	387,415
Capital work-in-progress	3.8	720,314,806	671,891,382
Long-term loans and advances	3.9	9,852,940	9,795,235
Other non-current assets	3.10	-	10,000
Current assets			
Cash and bank balances	3.11	1,004,563	722,992
Short term loans and advances	3.12	7,485,107	7,483,476
Other current assets	3.13	4,678	4,678
Total		743,368,694	695,909,270

The notes are an integral part of these financial statements

As per our attached report of even date

For Chaturvedi & Shah
Firm Registration No.: 101720W
Chartered Accountants

For and on behalf of Board of Directors

Vijay Napawaliya
Partner
Membership No.: 109859

Sameer Gupta
Director
DIN : 03486281

Ramaswami Kalidas
Director
DIN : 00203913

Place: Mumbai
Date : May 20, 2016

Place: Mumbai
Date : May 20, 2016

Tato Hydro Power Private Limited
Statement of Profit and Loss for the year ended March 31, 2016

Particulars	Note	Year ended March 31, 2016 Rupees	Year ended March 31, 2015 Rupees
Other income	3.14	-	93
Total Revenue		<u>-</u>	<u>93</u>
Expenses:			
Other expenses	3.15	6,000	2,782,366
Total Expenses		<u>6,000</u>	<u>2,782,366</u>
Profit /(Loss)before tax		(6,000)	(2,782,273)
Tax expense:			
Income tax for earlier years		30	(321,871)
Profit/(Loss) for the year		<u>(6,030)</u>	<u>(2,460,402)</u>
Earnings per equity share: (Face value Rs. 10 each)			
Basic and diluted (Refer note 9)		(0.28)	(115.51)

The notes are an integral part of these financial statements

As per our attached report of even date

For Chaturvedi & Shah
Firm Registration No.: 101720W
Chartered Accountants

For and on behalf of Board of Directors

Vijay Napawaliya
Partner
Membership No.: 109859

Sameer Gupta
Director
DIN : 03486281

Ramaswami Kalidas
Director
DIN : 00203913

Place: Mumbai
Date : May 20, 2016

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Tato Hydro Power Private Limited
Cash Flow Statement for the year ended March 31, 2016

	Year ended March 31, 2016 Rupees	Year ended March 31, 2015 Rupees
A Cash Flow from/(used in) Operating Activities		
Net Profit/(Loss) before tax	(6,000)	(2,782,273)
Adjusted for :		
Interest on fixed deposit / Inter corporate deposit	-	(93)
	<u>(6,000)</u>	<u>(2,782,366)</u>
Net cash used in operating activities	<u>(6,000)</u>	<u>(2,782,366)</u>
B Cash Flow from/(used in) Investing Activities		
Purchase of fixed assets (Including capital work-in-progress)	(43,712,398)	(47,120,319)
Taxes Paid	(30)	(336)
Net cash from / (used in) investing activities	<u>(43,712,428)</u>	<u>(47,120,655)</u>
C Cash Flow from/(used in) Financing Activities		
Inter Corporate Deposits taken from Holding Company	44,000,000	48,500,000
Net cash from financing activities	<u>44,000,000</u>	<u>48,500,000</u>
Net Increase/(Decrease) in cash and cash equivalents	281,572	(1,403,021)
Cash and Cash equivalents at the beginning of the year :		
Bank Balance - Current Account	722,992	2,126,013
Cash and Cash equivalents at the end of the year :		
Bank Balance - Current Account	1,004,563	722,992

Previous Year figures have been regrouped/ rearranged wherever necessary to confirm to the current year classification.

As per our attached report of even date

For Chaturvedi & Shah
Firm Registration No.: 101720W
Chartered Accountants

For and on behalf of Board of Directors

Vijay Napawaliya
Partner
Membership No.: 109859

Sameer Gupta
Director
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Ramaswami Kalidas
Director
DIN : 00203913

Place: Mumbai
Date : May 20, 2016

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Date : May 20, 2016

Tato Hydro Power Private Limited
Notes to the financial statements as of and for the year ended March 31, 2016

1. General information

Tato Hydro Power Private Limited is a wholly owned subsidiary of Reliance Power Limited. The Company has been set up as a special purpose vehicle to develop and generate a "700 Mega watt run of the river" hydroelectric power project on the Siyom River in West Siang, Arunachal Pradesh.

2. Significant Accounting Policies

a) Basis of Preparation

The Financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the relevant provisions of the Companies Act, 2013 (The "Act") and the Accounting Standards notified under the Act. The Financial Statements are prepared on accrual basis under the historical cost convention and are presented in Indian Rupees round off to the nearest rupee.

b) Use of Estimates

The preparation and presentation of Financial Statements requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent liabilities as on the date of the Financial Statements and reported amount of revenue and expenses during the reporting period. Difference between the actual results and estimates is recognised in the period in which the results are known / materialised.

c) Tangible Assets and Capital Work-in-Progress

Tangible assets are stated at cost net of recoverable taxes, duties, trade discounts and rebates, less accumulated depreciation and impairment of loss, if any. The cost of Tangible Assets comprises of its purchase price, borrowing costs and adjustment arising for exchange rate variations attributable to the assets, including any cost directly attributable to bringing the assets to their working condition for their intended use. Subsequent expenditure related to an item of Tangible assets are added to its book value only if they increase the future benefits from the existing assets beyond its previously assessed standards of performance.

All project related expenditure, viz, civil works, machinery under erection, construction and erection materials, pre-operative expenditure incidental/attributable to construction of project and borrowing cost incurred prior to the date of commercial operation are shown under capital work-in-progress. These expenses are net of recoveries and income (net of tax) from surplus funds arising out of project specific borrowings.

d) Intangible Assets:

Intangible Assets are stated at cost of acquisition net of recoverable taxes less accumulated amortization and impairment loss, if any. The cost comprises of purchase price, borrowing costs and any cost directly attributable to bringing the asset to its working condition for the intended use and adjustment arising from exchange rate variation attributable to the intangible assets.

e) Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or recoverable amount of the cash generating unit to which the asset 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 Statement of Profit and Loss.

f) Depreciation / amortization:

(i) Tangible assets:

Depreciation on Tangible Assets is provided to the extent of depreciable amount on Straight Line Method (SLM) based on useful life of the assets as prescribed in Part C of Schedule II to the Companies Act, 2013 except in case of motor vehicles where the estimated useful life has been considered as five year based on technical evaluation by the management.

(ii) Intangible assets:

Software expenses are amortised on a straight line basis over a period of three years.

Tato Hydro Power Private Limited
Notes to the financial statements as of and for the year ended March 31, 2016 (Continued)

g) Investments

Long term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined of value of long-term investments and made for each investment individually. Current investments are valued at lower of cost and fair value.

h) Provisions, Contingent Liabilities and Contingent Assets:

Provisions: Provisions are recognised when there is present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation in respect of which reliable estimate can be made of the amount of the obligation.

Contingent liabilities: Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or reliable estimate of the amount cannot be made, is termed as contingent liability.

Where there is a possible obligation or a present obligation but the likelihood of outflow of resources is remote, no provision or disclosure is made as specified in Accounting standard 29 – “Provisions, Contingent Liability and Contingent Assets”.

Contingent Assets: A contingent asset is neither recognised nor disclosed in the Financial Statements.

i) Foreign currency transactions

- (i) Transactions denominated in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction or that approximates the actual rate at the date of the transaction.
- (ii) All exchange differences arising on reporting of short term foreign currency monetary items at rates different from those at which they were initially recorded are recognised in the Statement of Profit and Loss.
- (iii) In respect of foreign exchange differences arising on revaluation or settlement of long term foreign currency monetary items, the Company has availed the option available in the Companies (Accounting Standards) (Second Amendment) Rules 2011, wherein
 - Foreign exchange differences on account of depreciable asset, is adjusted in the cost of depreciable asset and would be depreciated over the balance life of asset.
 - In other cases, foreign exchange difference is accumulated in “foreign currency monetary item translation difference account” and amortised over the balance period of such long term asset/liabilities.
 - An asset or liability is designated as a long term foreign currency monetary item, if the asset or liability is expressed in a foreign currency and has a term of twelve months or more at the date of origination of the asset or the liability, which is determined taking into consideration the terms of the payment/settlement as defined under the respective agreement/memorandum of understanding.
- (iv) Non-monetary items denominated in foreign currency are stated at the rates prevailing on the date of the transactions / exchange rate at which transaction is actually effected.

j) Revenue recognition

Profit on sale / redemption of investments is accounted on sale / redemption of such investments. Dividend on Investments is accounted when the right to receive payment is established in the entity's favour.

k) Employee benefits:

Employee benefits consist of Provident Fund, Superannuation Fund, Gratuity Scheme and Leave Encashment.

- (i) Defined contribution plans:
Contributions to defined contribution schemes such as provident fund and superannuation are charged off to the Statement of Profit and Loss/ Capital Work-In-Progress, as applicable, during the year in which the employee renders the related service.
- (ii) Defined Benefit Plans:
The Company also provides employee benefits in the form of gratuity and leave encashment, the liability for which as at the year-end is determined by independent actuaries based on actuarial valuation using the

Tato Hydro Power Private Limited

Notes to the financial statements as of and for the year ended March 31, 2016 (Continued)

projected unit credit method. Such defined benefits are charged off to the Statement of Profit and Loss / capital work-in-progress, as applicable. Actuarial gain / losses are recognised in the year in which they arise.

(iii) Short term/ long term employee benefits:

All employee benefits payable wholly within twelve months of rendering the service including performance incentives and compensated absences are classified as short term employee benefits. The undiscounted amount of short term employee benefits expected to be paid in exchange for the services rendered by employees are charged off to the Statement of Profit and Loss / capital work-in-progress, as applicable. The employee benefits which are not expected to occur within twelve months are classified as long term benefits and are recognised as liability at the net present value.

l) Accounting for taxes on income

Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates. Deferred income tax reflect the current period timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier years/period. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future income will be available except that deferred tax assets, in case there are unabsorbed depreciation or losses, are recognised if there is virtual certainty that sufficient future taxable income will be available to realise the same. Deferred tax assets and liabilities are measured using the tax rates and tax law that have been enacted or substantively enacted by the Balance Sheet date.

m) Cash and cash equivalents

Cash comprises cash on hand and demand deposits with banks. Cash Equivalents are short-term balances (with an original maturity of three months or less from date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

n) Earnings per share

Basic earnings per share are computed by dividing the net profit or loss by the weighted average number of equity shares outstanding during the year. Earnings considered in ascertaining the Company's earnings per share are the net profit for the year. The weighted average number of equity shares outstanding during the year and for all years presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding, without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year is adjusted for the effects of all dilutive potential equity shares.

o) Cash Flow Statement

Cash Flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the company are segregated based on the available information.

Tato Hydro Power Private Limited
Notes to the financial statements for the year ended March 31, 2016 (Continued)

	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
3.1 Share capital		
Authorised share capital		
95,000,000 (Previous year : 95,000,000) equity shares of Rs. 10 each	950,000,000	950,000,000
50,000,000 (Previous year : 50,000,000) preference shares of Re. 1 each	50,000,000	50,000,000
	1,000,000,000	1,000,000,000
Issued, subscribed and fully paid up capital		
21,300 (Previous year: 21,300) equity shares of Rs. 10 each fully paid-up	213,000	213,000
595,300 (Previous Year: 595,300) Preference shares [refer note no. 3.1.2(b) below for terms]	595,300	595,300
	808,300	808,300
3.1.1 Reconciliation of number of shares		
Equity shares		
Balance at the beginning of the year - 21,300 (Previous year : 21,300) shares of Rs. 10 each	213,000	213,000
Balance at the end of the year - 21,300 (Previous Year: 21,300) shares of Rs. 10 each	213,000	213,000
Preference shares [refer note no. 3.1.2(b)]		
Balance at the beginning of the year		
595,300 (Previous Year: 595,300) shares of Re. 1 each fully paid-up	595,300	595,300
Balance at the end of the year - 595,300 (Previous Year: 595,300) shares of Re. 1 each	595,300	595,300

3.1.2 Terms/ rights attached to shares

a) Equity Shares

The Company has only one class of equity shares having face value of Rs.10 per share. Each holder of the equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts.

b) Preference shares

7.5% Compulsory Convertible Redeemable Non-Cumulative Preference Shares (CCRPS)

The Company shall have a call option on CCRPS which can be exercised by the Company in one or more tranches and in part or in full before the end of agreed tenure (20 years) of the said shares. In case the call option is exercised, CCRPS shall be redeemed at an issue price (i.e face value and premium). The holders of CCRPS however, shall have an option to convert CCRPS into equity shares at any time during the tenure of such shares. At the end of tenure and to the extent the Company or the shareholder has not exercised their options, CCRPS shall be compulsorily converted into equity shares. On conversion, in either case, each CCRPS shall be converted into one fully paid equity share of Rs. 10 each at a premium of Rs. 990 share. If during the tenure of CCRPS, the Company declares equity dividend, CCRPS holders shall also be entitled to dividend on their shares at the same rate as the equity dividend and this dividend will be over and above the coupon rate of 7.5%. These preference shares shall continue to be non cumulative.

Tato Hydro Power Private Limited
Notes to the financial statements for the year ended March 31, 2016 (Continued)

As at March 31, 2016	As at March 31, 2015
Rupees	Rupees

3.1.3 Shares held by Holding Company / Subsidiaries of Holding Company

Equity Shares

Reliance Power Limited - 21,300 (Previous year: 21,300) shares of Rs. 10 each fully paid-up (Of the above 21,299 (previous year : 21,299) equity shares are held by Reliance Power Limited, the holding company and the balance 1 share is jointly held by Reliance Power Limited and its nominee)	213,000	213,000
	<u>213,000</u>	<u>213,000</u>

Preference shares [refer note no. 3.1.2(b)]

Reliance Power Limited - 95,300 (Previous year : 95,300) preference shares of Re.1 each fully paid-up	95,300	95,300
Dhursar Solar Power Private Limited - 500,000 (Previous year : 500,000) preference shares of Re.1 each fully paid-up	500,000	500,000
	<u>595,300</u>	<u>595,300</u>

3.1.4 Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	Percentage of Share holding	As at March 31, 2016 No. of Shares	As at March 31, 2015 No. of Shares
Equity Shares			
Reliance Power Limited - (Equity shares of Rs. 10 each fully paid up)	100%	21,300	21,300
	<u>100%</u>	<u>21,300</u>	<u>21,300</u>
Preference shares [refer note no. 3.1.2(b)]			
Reliance Power Limited	16%	95,300	95,300
Dhursar Solar Power Private Limited	84%	500,000	500,000
	<u>100%</u>	<u>595,300</u>	<u>595,300</u>

Tato Hydro Power Private Limited
Notes to the financial statements for the year ended March 31, 2016 (Continued)

	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
3.2 Reserves and surplus		
Securities premium account		
Balance as per last balance sheet	605,891,700	605,891,700
Balance at the end of the year	<u>605,891,700</u>	<u>605,891,700</u>
Surplus/(Deficit) in the Statement of Profit and Loss		
Balance at the beginning of the year	23,892,988	26,353,390
Add: Profit/(Loss) for the year	(6,030)	(2,460,402)
Balance at the end of the year	<u>23,886,958</u>	<u>23,892,988</u>
	<u>629,778,658</u>	<u>629,784,688</u>
3.3 Long term provisions		
Provision for gratuity (Refer note 7)	274,410	337,629
Provision for leave encashment (Refer note 7)	2,096,559	1,948,782
	<u>2,370,969</u>	<u>2,286,411</u>
3.4 Short-term borrowings		
Loan and Advances from related party.		
- Inter Corporate Deposits taken from Holding Company (Interest free deposit for a period upto one year) (Refer note 8)	92,500,000	48,500,000
	<u>92,500,000</u>	<u>48,500,000</u>
3.5 Other current liabilities		
Retention money payable	7,410,553	8,022,600
Creditors for supplies and services (Refer note 11)	9,108,134	5,460,796
Others*	591,667	563,654
*(Including provident fund, tax deducted at source)		
	<u>17,110,354</u>	<u>14,047,050</u>
3.6 Short Term Provisions		
Provision for gratuity (Refer note 7)	252,889	10,965
Provision for leave encashment (Refer note 7)	547,524	471,856
Provision for taxes [net of advance tax of Rs.30 (Previous year: Rs.336)]	-	-
	<u>800,413</u>	<u>482,821</u>

Tato Hydro Power Private Limited
Notes to the financial statements for the year ended March 31, 2016 (Continued)

3.7 Tangible Assets

(Rupees)

Particulars	Gross block (at cost)			Depreciation/Amortisation			Net block	
	As at April 1, 2015	Additions during the year	As at March 31, 2016	As at April 1, 2015	For the year	Upto March 31, 2016	As at March 31, 2016	As at March 31, 2015
<u>Tangible assets</u>								
Leasehold land	2,846,956	-	2,846,956	359,164	51,246	410,410	2,436,546	2,487,792
Plant and machinery	1,149,452	-	1,149,452	331,307	76,047	407,354	742,098	818,145
Furniture and fixtures	224,469	-	224,469	92,147	22,227	114,374	110,095	132,322
Motor vehicles	3,109,262	-	3,109,262	1,463,003	582,952	2,045,955	1,063,307	1,646,259
Office equipments	818,852	-	818,852	431,897	96,107	528,004	290,848	386,955
Computers	959,866	-	959,866	817,247	78,913	896,160	63,706	142,619
Total	9,108,857	-	9,108,857	3,494,765	907,492	4,402,257	4,706,600	5,614,092
Previous Year	9,040,124	68,733	9,108,857	2,101,699	1,393,065	3,494,764	5,614,092	
<u>Intangible asset</u>								
Computer software	1,162,186	-	1,162,186	774,771	387,415	1,162,186	-	387,415
Total Intangible asset	1,162,186	-	1,162,186	774,771	387,415	1,162,186	-	387,415
Previous year	1,162,186	-	1,162,186	387,357	387,414	774,771	387,415	

Tato Hydro Power Private Limited
Notes to the financial statements for the year ended March 31, 2016 (Continued)

3.8 Capital work-in-progress

Rupees

Particulars	As at April 1, 2015	Incurred during the year	Capitalised/ Adjusted	As at March 31, 2016
Expenditure pending allocation				
Electricity expenses	4,158,450	-	-	4,158,450
Rent	38,280,671	893,140	-	39,173,811
Repairs and maintenance - Others	12,314,391	206,211	-	12,520,602
Employee benefit expense:				
- Salaries and other costs	143,451,418	31,865,801	-	175,317,219
- Contribution to provident and other funds (Refer note 7)	4,861,515	1,174,985	-	6,036,500
- Gratuity and leave encashment (Refer note 7)	3,489,150	2,844,882	-	6,334,032
Staff welfare	898,402	-	-	898,402
Depreciation	4,269,536	1,294,907	-	5,564,443
Insurance Charges	359,849	82,608	-	442,457
Rates and taxes	2,410,203	24,209	-	2,434,412
Advertisement expenses	1,233,111	-	-	1,233,111
Bank and corporate guarantee charges	4,739,333	84,226	-	4,823,559
Communication expenses	8,911,712	394,498	-	9,306,210
Legal and professional charges (including shared service charges)	332,743,281	6,412,516	-	339,155,797
Premium paid to regulatory authority / state government	29,400,000	-	-	29,400,000
Printing and stationary	656,034	47,291	-	703,325
Security expenses	6,178,089	1,321,465	-	7,499,554
Site expenses	28,914,130	1,318,095	-	30,232,225
Social welfare expenses	27,155,850	-	-	27,155,850
Travelling and conveyance	15,138,654	216,119	-	15,354,773
Miscellaneous expenses	2,327,603	242,471	-	2,570,074
Total Capital work-in-progress	671,891,382	48,423,424	-	720,314,806
Previous year	642,005,510	37,324,604	7,438,732	671,891,382

Tato Hydro Power Private Limited**Notes to the financial statements for the year ended March 31, 2016 (Continued)**

	As at March 31, 2016 Rupees	As at March 31, 2015 Rupees
3.9 Long - term loans and advances		
(Unsecured and considered good unless stated otherwise)		
Capital advance	9,852,940	9,637,600
Prepaid expenses	-	157,635
	9,852,940	9,795,235
3.10 Other non-current assets		
Non-current bank balances	-	10,000
	-	10,000
3.11 Cash and bank balances		
Cash and Cash equivalents:		
Bank balance in current account	994,563	722,992
Other bank balances:		
Deposits with maturity period of more than three months but less than twelve month	10,000	-
	1,004,563	722,992
3.12 Short term loans and advances		
(Unsecured and considered good unless stated otherwise)		
Security deposit	6,165,438	6,165,438
Advance recoverable in cash or kind (Refer note 8)	1,007,034	1,007,034
Prepaid expenses	157,635	250,000
Loans/advance to employees	155,000	61,004
	7,485,107	7,483,476
3.13 Other current assets		
(Unsecured and considered good unless stated otherwise)		
Income accrued on fixed deposit	4,678	4,678
	4,678	4,678

Tato Hydro Power Private Limited

Notes to the financial statements for the year ended March 31, 2016 (Continued)

	Year ended March 31, 2016	Year ended March 31, 2015
	Rupees	Rupees
3.14 Other income		
Interest:		
- on bank deposits	-	93
	<u>-</u>	<u>93</u>
3.15 Other expenses		
Interest Receivable writeoff	-	2,778,082
Filing fees	6,000	4,284
	<u>6,000</u>	<u>2,782,366</u>

Tato Hydro Power Private Limited
Notes to the financial statements as of and for the year ended March 31, 2016 (Continued)

4. Capital commitments

Estimated amount of contracts (net of capital advances) remaining to be executed on capital account and not provided for is Rs. 578,240,690 (Previous Year Rs. 586,691,191).

5. Details of remuneration to auditors

Particulars	Rupees	
	Year ended March 31, 2016	Year ended March 31, 2015
As statutory auditor - For Statutory Audit	150,000	150,000

6. Project status

The Company is developing a "700 mega watt run of the river" hydroelectric power project on the Siyom River in West Siang, Arunachal Pradesh.

A memorandum of agreement (MoA) was signed in February 2006 with the Government of Arunachal Pradesh (GoAP). The Company has submitted the detailed project report to Central Electricity Authority (CEA). Most of the statutory clearances including CEA concurrence, Environmental clearance, Defence Clearance, State level NOCs/clearances available except Forest Clearance. Proposal for forest clearance is in process with MoEF. The Company has initiated process for grant of Connectivity & Long Term access to the project, tie-up for sale of power through long term PPA and debt tie-up.

7. Disclosure under Accounting Standard 15 (revised 2005) "Employee Benefits"

The Company has classified various employee benefits as under:

A. Defined contribution plans

- (a) Provident fund
- (b) State defined contribution plans
 - Employees' Pension Scheme 1995

The provident fund and the state defined contribution plan are operated by the Regional Provident Fund Commissioner. The Company is required to contribute a specified percentage of payroll cost to the retirement benefit schemes to fund the benefits.

The Company has recognised the following amounts in the Capital Work-in-Progress for the year:

Particulars	Rupees	
	Year ended March 31, 2016	Year ended March 31, 2015
Contribution to provident fund	923,417	757,261
Contribution to Employees' Pension Scheme 1995	143,237	104,995
Contribution to Superannuation Fund	108,331	41,665

B. Defined Benefit Plans

- (a) Gratuity
- (b) Leave Encashment

Leave encashment is payable to eligible employees who have earned leave, during the employment and/or on separation as per the Company's policy.

Valuations in respect of Gratuity and Leave Encashment have been carried out by independent actuary, as at the Balance Sheet date, based on the following assumptions:

	Gratuity		Leave Encashment	
	2015-2016	2014-15	2015-2016	2014-15
Discount rate (per annum)	7.80%	7.85%	7.80%	7.85%
Rate of increase in compensation levels	7.50%	7.50%	7.50%	7.50%
Expected average remaining working lives of employees in number of years	5.29	9.69	-	-
	Years	Years		

Tato Hydro Power Private Limited

Notes to the financial statements as of and for the year ended March 31, 2016 (Continued)

Rupees

	Gratuity		Leave Encashment	
	2015-2016	2014-2015	2015-2016	2014-2015
(i) Changes in present value of obligation				
Opening balance of present value of obligation	348,594	656,367	2,420,638	2,452,293
Interest cost	34,343	65,224	215,340	284,323
Current service cost	94,379	163,846	558,470	798,073
Actuarial (gain) / loss	49,983	(536,843)	1,892,367	(539,060)
Liabilities Assumed on Acquisition	-	-	-	-
Benefits Paid	-	-	(2,442,732)	(574,991)
Closing balance of present value of obligation	527,299	348,594	2,644,083	2,420,638
(ii) Amounts recognised in the balance sheet				
Present value of obligation	527,299	348,594	2,644,083	2,420,638
Unfunded liability recognised in the balance sheet	527,299	348,594	2,644,083	2,420,638
(iii) Expenses recognised in the Capital work-in-progress				
Current service cost	94,379	163,846	558,470	798,073
Interest cost	34,343	65,224	215,340	284,323
Net actuarial (gain) / loss	49,983	(536,843)	(1,892,367)	(539,060)
Total expenses recognised in the Capital work-in-progress	178,705	(307,773)	2,666,177	543,336
(iv) Expected employers' contribution/ benefits for the next year	252,889	10,965	547,524	471,856

(v) Disclosure as required under Para 120 (n) of the AS – 15

		Year ended March 31,2016	Year ended March 31,2015	Year ended March 31,2014	Year ended March31,2013	Rupees Year ended March 31, 2012	
Gratuity							
(i)	a.	Present value of the defined benefit obligation	527,299	348,594	656,367	491,487	241,956
	b.	Fair value of the plan assets	-	-	-	-	-
	c.	Surplus/(deficit) in the plan	(527,299)	(348,594)	(656,367)	(491,487)	(241,956)
(ii)	a.	Experience adjustment on plan liabilities	48,657	(573,810)	(52,259)	(17,813)	32,318
	b.	Experience adjustment on plan assets	-	-	-	-	-
Leave Encashment							
(i)	a.	Present value of the defined benefit obligation	2,644,083	2,420,638	2,452,293	2,686,768	1,517,836
	b.	Fair value of the plan assets	-	-	-	-	-
	c.	Surplus/(deficit) in the plan	(2,644,083)	(2420,638)	(2,452,293)	(2,686,768)	(1,517,836)
(ii)	a.	Experience adjustment on plan liabilities	1884,887	(703,329)	(1,371,002)	(140,899)	1,089,194
	b.	Experience adjustment on plan assets	-	-	-	-	-

The actuarial valuation of gratuity liability does not include liability of seconded employees, as the gratuity will be paid by the Holding Company as per the terms of secondment.

Tato Hydro Power Private Limited
Notes to the financial statements as of and for the year ended March 31, 2016 (Continued)

8. Related Party Disclosure

As per Accounting Standard – 18 Related Party Disclosure prescribed by Companies (Accounting Standards) Rules, 2006, the Company's related parties and transactions are disclosed below :

A. Parties where control exists :

Holding Company :
 Reliance Power Limited (R Power)

B. Fellow subsidiaries :

Dhursar Solar Power Private Limited (DSPPL)
 Sasan Power Limited (SAPL)
 Reliance Cleangen Limited (RCGL)

C. Details of transactions and closing balance:

Particulars	2015-16	Rupees 2014-15
(i) Transactions during the year :		
Legal and professional fees (including shared service charges)		
R Power	2,280,000	2,247,200
Reimbursement of expenses / salary - paid by		
R Power	1,283,614	1,648,620
SAPL	-	11,774
RPSL	26,281	-
Reimbursement of expenses - paid for		
SAPL	-	37,816
R Power	3,363,246	-
Inter- corporate deposits received		
R Power	44,000,000	48,500,000
RCGL	-	8,500,000
Inter- corporate deposits refund to		
RCGL	-	8,500,000
(ii) Balance as at the year end		
Inter- corporate deposits payable		
R Power	92,500,000	48,500,000
Equity share capital (excluding premium)		
R Power	213,000	213,000
Preference share capital (excluding premium)		
R Power	95,300	95,300
DSPPL	500,000	500,000
Guarantees		
R Power	7,050,000	7,050,000

The above disclosure does not include transactions with public utility service providers, viz, electricity, telecommunications in the normal course of business.

9. Earnings Per Share

	Year ended March 31, 2016	Rupees Year ended March 31, 2015
Profit /(Loss) for the year (Rupees) (A)	(6,000)	(2,460,402)
Weighted average number of equity shares (B)	21,300	21,300
Earning per share- Basic and diluted (Rupees) (A/B)	(0.28)	(115.51)
Nominal value of an equity share (Rupees)	10	10

7.5% Compulsory Convertible Non-Cumulative Redeemable Preference Shares had an anti-dilutive effect on earnings per share and hence have not been considered for the purpose of computing dilutive earnings per share.

Tato Hydro Power Private Limited

Notes to the financial statements as of and for the year ended March 31, 2016 (Continued)

10. Segment Reporting

In accordance with Accounting Standard 17 "Segment Reporting" as prescribed under the Companies (Accounting Standard) Rules, 2006, the Company has determined its business segment as power generation. Since, there are no other business segments in which the Company operates and the power generated would be sold in India, there are no other primary reportable segments. Therefore, the segment revenue, segment results, segment assets, segment liabilities, total cost incurred to acquire segment assets, depreciation charge are all as reported in the financial statements.

11. Micro, Medium and Small Scale Business Entities

Disclosure of payable to vendors as defined under the "Micro, Small and Medium Enterprise Development Act, 2006" is based on the information available with the Company regarding the status of registration of such vendors under the said Act, as per the information available with the Company. There are no overdue principal amounts / interest payable amounts for delayed payments to such vendors at the balance sheet date. There are no delays in payment made to such suppliers during the year or for any earlier years and accordingly there is no interest paid or outstanding interest in this regard in respect of payments made during the year or brought forward from previous years.

12. Previous Year figures have been regrouped/ rearranged wherever necessary to confirm to the current year classification.

As per our attached report of even date.

For Chaturvedi & Shah
Firm Registration No:101720W
Chartered Accountants

For and on behalf of the Board of Directors

Vijay Napawaliya
Partner
Membership No: 109859

Sameer Gupta
Director
DIN : 03486281

Ramaswami Kalidas
Director
DIN : 00203913

Place : Mumbai
Date : May 20 ,2016

Place : Mumbai
Date : May 20, 2016