

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Urthing Sobla Hydro Power Private Limited Report on the Financial Statements

1. We have audited the accompanying financial statements of Urthing Sobla Hydro Power Private Limited ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> 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 31<sup>st</sup> March, 2016, and its loss and its cash flows for the year ended on that date.

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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 Urthing Sobla 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) The Company does not have any immovable property. Therefore the provisions of clause 1 (c) of Order is not applicable.
- (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 Urthing Sobla 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 Urthing Sobla 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 (l) 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 Urthing Sobla 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 Urthing Sobla 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

**Urthing Sobla 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
<b>Equity and Liabilities</b>			
<b>Shareholders' Funds</b>			
Share Capital	3.1	342,760	342,760
Reserves and Surplus	3.2	163,768,074	166,310,570
<b>Current liabilities</b>			
Short-term borrowings	3.3	4,800,000	2,500,000
Other Current liabilities	3.4	188,192	186,052
<b>Total</b>		<b>169,099,026</b>	<b>169,339,382</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible Assets	3.5	163,348	256,297
Capital work-in-progress	3.6	168,743,386	168,743,386
<b>Current assets</b>			
Cash and Bank balances	3.7	192,292	314,448
Short term loans and advances	3.8	-	25,251
<b>Total</b>		<b>169,099,026</b>	<b>169,339,382</b>

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 the Board of Directors**

**Vijay Napawaliya**  
Partner  
Membership No. 109859

**Ashwin Purohit**  
Director  
DIN :07062599

**Paresh Rathod**  
Director  
DIN : 00004357

Place : Mumbai  
Date : May 20, 2016

Place : Mumbai  
Date : May 20, 2016

**Urthing Sobla 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
Revenue		-	-
<b>Total Revenue</b>		<u>-</u>	<u>-</u>
Expenses			
Depreciation		92,948	93,248
Other Expenses	3.9	2,449,548	2,388,781
<b>Total Expenses</b>		<u>2,542,496</u>	<u>2,482,029</u>
<b>Loss before tax</b>		<b>(2,542,496)</b>	<b>(2,482,029)</b>
Tax expense		-	-
<b>Loss for the year</b>		<u><b>(2,542,496)</b></u>	<u><b>(2,482,029)</b></u>
Earnings/(Loss) per equity share : (Face value of Rs. 10 each)			
-Basic and Diluted (Refer Note 7)		(140.94)	(137.58)

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 the Board of Directors**

**Vijay Napawaliya**  
Partner  
Membership No. 109859

**Ashwin Purohit**  
Director  
DIN :07062599

**Paresh Rathod**  
Director  
DIN : 00004357

Place : Mumbai  
Date : May 20, 2016

Place : Mumbai  
Date : May 20, 2016



**Urthing Sobla Hydro Power Private Limited**  
**Cash Flow Statement for the year ended March 31, 2016**

Particulars	Year ended March 31, 2016 Rupees	Year ended March 31, 2015 Rupees
<b>(A) Cash Flow from/ (used in) Operating Activities</b>		
Loss before tax	(2,542,496)	(2,482,029)
<b>Adjustment For:</b>		
Depreciation	92,948	93,248
Net Cash (used) in Operating Activities	<u>(2,449,548)</u>	<u>(2,388,781)</u>
<b>(B) Cash Flow from/ (used in) Investing Activities</b>		
Purchase of Fixed Assets (Including Capital Work-in-Progress)	27,392	(616,017)
Net Cash (used) in Investing Activities	<u>27,392</u>	<u>(616,017)</u>
<b>(C) Cash Flow from/ (used in) Financing Activities</b>		
Inter Corporate Deposits taken from Holding Company	2,300,000	2,500,000
Net Cash from Financing Activities	<u>2,300,000</u>	<u>2,500,000</u>
<b>Net Increase/(Decrease) in cash and cash equivalents (A+B+C)</b>	<b>(122,156)</b>	<b>(504,798)</b>
<b>Cash and Cash equivalents as at the beginning of the year</b>		
Bank Balance - Current Account	314,448	819,246
<b>Cash and Cash equivalents as at the end of the year</b>		
Bank Balance - Current Account	192,292	314,448

Previous Year figures have been regrouped/ recasted wherever necessary 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

**Ashwin Purohit**  
Director  
DIN :07062599

**Paresh Rathod**  
Director  
DIN : 00004357

Place : Mumbai  
Date : May 20, 2016

Place : Mumbai  
Date : May 20, 2016

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

**1. General Information**

Urthing Sobla Hydro Power Private Limited is a subsidiary of Reliance Power Limited. The company has been set up as a Special Purpose Vehicle to develop a 400 MW run-of-the-river Hydro Electric Project on river Dhauliganga, a tributary of Sarada River and is situated in Pithoragarh District of Uttarakhand.

**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) 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.

**e) Depreciation**

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.

**f) 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

## Urthing Sobla Hydro Power Private Limited

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

value of long-term investments and made for each investment individually. Current investments are valued at lower of cost and fair value.

#### g) 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 assets is neither recognised nor disclosed in the Financial Statements.

#### h) 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.

#### i) 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.

## **Urthing Sobla Hydro Power Private Limited**

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

#### **j) 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 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.

#### **k) 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.

#### **l) 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.

#### **m) 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.

#### **n) 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

Urthing Sobla 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
<b>3.1 Share Capital</b>		
<b>Authorised Share Capital</b>		
5,000,000 (Previous Year : 5,000,000) equity shares of Rs. 10 each	50,000,000	50,000,000
200,000,000 (Previous Year : 200,000,000) preference shares of Re. 1 each	200,000,000	200,000,000
	<u>250,000,000</u>	<u>250,000,000</u>
<b>Issued,Subscribed and paid up capital</b>		
18,040 (Previous Year : 18,040) equity shares of Rs. 10 each fully paid up	180,400	180,400
162,360 (Previous Year : 162,360) Preference Shares [refer note no. 3.1.2(b) below for terms]	162,360	162,360
	<u>342,760</u>	<u>342,760</u>

**3.1.1 Reconciliation of subscribed and paid up capital**

<b>Equity shares</b>		
Balance at the beginning of the year	180,400	180,400
18,040 (Previous Year : 18,040) shares of Rs. 10 each		
Balance at the end of the year - 18,040 (Previous year : 18,040) equity shares of Rs. 10	<u>180,400</u>	<u>180,400</u>
<b>Preference shares [refer note no. 3.1.2(b)]</b>		
Balance at the beginning of the year	162,360	162,360
Balance at the end of the year - 162,360 (Previous year : 162,360) shares of Re. 1 each	<u>162,360</u>	<u>162,360</u>

**3.1.2 Terms/ rights attached to equity 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.

**Urthing Sobla 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
<b>3.1.3 Shares held by Holding Company</b>		
<b>Equity Shares</b>		
Reliance Power Limited - 16,040 (Previous Year: 16,040) equity shares of Rs. 10 each (Of the above, 16,039 (Previous Year : 16,039) shares are held by Reliance Power Limited, the Holding Company and 1 Share is jointly held by Reliance Power Limited and its nominee)	160,400	160,400
	<u>160,400</u>	<u>160,400</u>
<b>Preference shares [refer note no. 3.1.2(b)]</b>		
Reliance Power Limited - 162,360 (Previous Year : 162,360) shares of Re. 1 each fully	162,360	162,360
	<u>162,360</u>	<u>162,360</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	As at March 31, 2015
	As At March 31, 2016	As at March 31, 2015	No. of shares	No. of shares
<b>Equity Shares</b>				
Reliance Power Limited (Equity shares of Rs. 10 each fully paid up)	88.91%	88.91%	16,040	16,040
Reliance Infrastructure Limited (Equity shares of Rs. 10 each fully paid up)	11.09%	11.09%	2,000	2,000
	<u>100.00%</u>	<u>100.00%</u>	<u>18,040</u>	<u>18,040</u>
<b>Preference shares [refer note no. 3.1.2(b)]</b>				
Reliance Power Limited	100%	100%	162,360	162,360
	<u>100%</u>	<u>100%</u>	<u>162,360</u>	<u>162,360</u>

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

	<b>As At March 31, 2016 Rupees</b>	<b>As At March 31, 2015 Rupees</b>
<b>3.2 Reserves and Surplus</b>		
<b>Securities Premium Account</b>		
Balance as per last Balance Sheet	170,157,240	170,157,240
<b>Closing Balance</b>	<b><u>170,157,240</u></b>	<b><u>170,157,240</u></b>
<b>Surplus/(Deficit) in the statement of Profit and Loss</b>		
Balance at the beginning of the year	(3,846,670)	(1,364,641)
Add: Loss for the year	(2,542,496)	(2,482,029)
Balance at the end of the year	<b><u>(6,389,166)</u></b>	<b><u>(3,846,670)</u></b>
	<b><u>163,768,074</u></b>	<b><u>166,310,570</u></b>
<b>3.3 Short-term borrowings</b>		
Loan and Advances from related party.		
Inter Corporate Deposits from related parties(Refer Note 6)	4,800,000	2,500,000
	<b><u>4,800,000</u></b>	<b><u>2,500,000</u></b>
<b>3.4 Other Current Liabilities</b>		
Creditors for supplies and services (Refer Note 9)	178,192	176,052
Others (including Tax Deducted at Source)	10,000	10,000
	<b><u>188,192</u></b>	<b><u>186,052</u></b>

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

3.5 Tangible Assets

Particulars	Gross Block (at cost)			Depreciation			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
Plant and Equipment	484,212	-	484,212	235,596	91,517	327,114	157,098	248,616
Furniture and Fixtures	15,172	-	15,172	7,491	1,431	8,922	6,250	7,681
<b>Total</b>	<b>499,384</b>	<b>-</b>	<b>499,384</b>	<b>243,087</b>	<b>92,948</b>	<b>336,036</b>	<b>163,348</b>	<b>256,297</b>
<b>Previous Year</b>	499,384	-	499,384	149,839	93,248	243,087	256,297	

Rupees



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

3.6 Capital Work-in-progress

Rupees

Particulars	As at April 1, 2015	Capitalised/ Adjusted	As At March 31, 2016
<b>Expenditure pending allocation/Capitalisation</b>			
Electricity Expenses	166,013	-	166,013
Rent	5,388,616	-	5,388,616
Repairs and Maintenance - Others	690,306	-	690,306
Employee Benefit expense:		-	
- Salaries and Other Costs	3,353,304	-	3,353,304
- Contribution to Provident and Other Funds	74,573	-	74,573
Depreciation	149,839	-	149,839
Insurance Charges	17,615	-	17,615
Rates and Taxes	63,517	-	63,517
Bank and Corporate Guarantee Charges	60,939	-	60,939
Communication Expenses	1,524,196	-	1,524,196
Legal and Professional Charges (including shared service charges)	88,372,317	-	88,372,317
Premium Paid to State Government (Refer note 4)	55,600,000	-	55,600,000
Printing and Stationary	438,558	-	438,558
Security Expenses	1,643,992	-	1,643,992
Site Expenses	5,757,327	-	5,757,327
Social Welfare Expenses	200	-	200
Travelling and Conveyance	4,719,273	-	4,719,273
Miscellaneous Expenses	722,801	-	722,801
<b>Total Capital work-in-progress</b>	<b>168,743,386</b>	-	<b>168,743,386</b>
Previous Year	168,993,386	250,000	168,743,386

**Urthing Sobla Hydro Power Private Limited**

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

	<b>As At March 31, 2016 Rupees</b>	<b>As At March 31, 2015 Rupees</b>
<b>3.7 Cash and Cash Equivalents</b>		
Cash and cash equivalents		
Bank balance in current account	192,292	314,448
	<u>192,292</u>	<u>314,448</u>
<b>3.8 Short term loans and advances</b>		
Loans/Advance to other	-	25,251
	<u>-</u>	<u>25,251</u>

**Urthing Sobla Hydro Power Private Limited****Notes to the financial statements for the year ended March 31, 2015 (continued)**

	<b>Year ended March 31, 2016 Rupees</b>	<b>Year ended March 31, 2015 Rupees</b>
<b>3.9 Other expenses</b>		
Repairs and Maintainances		
Plant & Machinery	-	2,700
Legal and Professional Charges	2,417,914	2,353,560
Postage and Courier	-	198
Travelling and Conveyance	25,251	2,000
Rates and Taxes	2,500	2,500
Site Expenses	1,483	21,091
Filing fees	2,400	6,732
	<b><u>2,449,548</u></b>	<b><u>2,388,781</u></b>

## Urthing Sobla Hydro Power Private Limited

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

receipts or payments. The cash flows from operating, investing and financing activities of the company are segregated based on the available information.

#### 4. Project Status

The Company has a 400 MW (4\*100MW) run-of-the-river Hydro Electric Project on river Dhauliganga, a tributary of Sarada River and is situated in Pithoragarh District of Uttarakhand which was awarded in April 2005 by the Government of Uttarakhand (GoU) on Build Own Operate and Transfer (BOOT) basis. Pursuant to the said award, Rs. 5,56,00,000 ( Rupees Five Crore and fifty six Lacs Only) was paid to Government of Uttarakhand as processing and Upfront fee for Development and commissioning of the project. A Project Development Agreement (PDA) was entered into with the Government of Uttarakhand to carry out studies and investigations for preparation of Detailed Project Report (DPR) and to develop and operate the project. SMEC, Australia has been appointed as the consultant for preparation of DPR. The project is located in Ashok Musk Deer Sanctuary and requires re-demarcation of sanctuary and the matter has been placed with the Honorable Supreme Court of India. The Government of Uttarakhand has also recommended for approval of re-demarcation.

#### 5. Details of Remuneration to Auditors

Particulars	Rupees	
	Year ended March 31, 2016	Year ended March 31, 2015
As Statutory Auditors - For Statutory Audit	100,000	100,000

#### 6. Related party disclosure

As per Accounting Standard – 18 prescribed by Companies (Accounting Standards) Rules, 2014, 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 :

Reliance Cleangen Limited (RCGL)

##### C. Details of transactions and closing balances:

Particulars	Rupees	
	2015-16	2014-15
(i) Transactions during the year :		
Legal and professional fees (including shared service charges)		
R Power	2,280,000	2,247,200
Inter- corporate deposits received		
R Power	2,300,000	2,500,000
RCGL	-	500,000
Inter- corporate deposits refund to		
RCGL	-	500,000
Reimbursement of expenses - paid by		
R Power	4,900	-
(ii) Balance as at the year end		
Inter- corporate deposits payable		
R Power	4,800,000	2,500,000
Equity share capital (excluding premium)		
R Power	160,400	160,400
Preference share capital (excluding premium)		

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

R Power

162,360

162,360

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

**7. Earning/(Loss) Per Share**

	<b>Year ended March 31, 2016</b>	<b>Year ended March 31, 2015</b>
Profit/(Loss) for the year (Rupees) (A)	(2,542,496)	(2,232,029)
Weighted average number of equity shares – (B)	18,040	18,040
Earning/(Loss) Per Share - Basic and Diluted (Rupees) (A/B)	(140.94)	(123.73)
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.

**8. 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 further 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.

**9. Micro 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.

**10. Previous Year figures have been regrouped / recasted wherever necessary 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

**Ashwin Purohit**

Director

DIN :07062599

**Paresh Rathod**

Director

DIN : 00004357

Place : Mumbai

Date : May 20, 2015

Place : Mumbai

Date : May 20, 2016