

Independent Auditors' Report

**To
The Members of
M/s. NE Hills Hydro Limited**

Report on Financial Statements

We have audited the accompanying financial Statements of **M/s. NE Hills Hydro Limited ("the company")**, which comprise the Balance Sheet as at 31st March, 2014 and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014.

Report on Other Legal and Regulatory Requirements

1. 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c. The Balance Sheet dealt with by this report, are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 read with the General circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of the section 133 of the companies act, 2013.
 - e. On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For S. Bhalotia & Associates
(Chartered Accountants)
Firm's Registration No: 325040E

CA. Vikash Kumar
(Partner)
Membership No: 067471
Place: Kolkata
Date: The 17th day of May, 2014

Annexure referred to in paragraph 3 of our report of even date

(Ref: NE Hills Hydro Limited ("the company"))

- i. In respect of its fixed assets :
 - a. The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, all the fixed assets have been physically verified by the management during the year but there is a regular programme of verification which, in our opinion is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - c. In our opinion, the company has not disposed of any fixed assets during the year and the going concern status of the company is not affected.
- ii. In respect of its inventories :

Since the Company does not have any inventory, we are not required to comment on clause 4(ii) of the Companies Auditors Report Order, 2003.
- iii.
 - a. In our opinion and according to the information and explanation given to us company has not granted loans, secured or unsecured to any companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. As such, we are not required to comment on clauses 4(iii)(a),(b),(c) and (d) of the order.
 - e. As informed to us the company has not taken any loans, secured or unsecured from any companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. As such, we are not required to comment on clauses 4(iii)(f) and (g) of the order.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the company and the nature of its business, for the purpose of inventory and fixed assets and for the sale of goods and services. During the course of audit, we have not come across nor have been informed of any continuing failure to correct major weakness in the internal control system of the company in respect of these areas.
- v. In respect of the contracts or arrangement referred to in section 301 of the Companies Act, 1956 :
 - a. According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangement referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of

₹ 500,000.00 have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

- vi. According to the information and explanation provided to us the company has not accepted any deposits from the public. Therefore, the provisions of clause (vi) of paragraph 4 of the order are not applicable to the company.
- vii. In our opinion, the company has an internal audit system commensurate with the size and the nature of its business.
- viii. As explained to us and representations obtained from the management, the Central Government has not prescribed maintenance of cost records for any of the products manufactured by the Company under section 209(1)(d) of the Companies Act, 1956.
- ix. a. According to the records of the company, undisputed statutory dues including Provident Fund, Employee's State Insurance, Income Tax, Sales Tax, Service Tax, Excise Duty, Cess and other statutory dues applicable to the company have been generally regularly deposited with the appropriate authorities. According to the information and explanations given to us no undisputed amounts payable were outstanding at the end for a period of more than six months from the date they become payable.
b. According to the information and explanations given to us, there are no dues of Income tax, Wealth tax, Service tax, Sales tax, Custom duty, Excise duty and Cess that have not been deposited with appropriate authorities on account of any dispute.
- x. The company has no accumulated losses at the end of the financial year. The company has not incurred cash losses during the financial year and immediately preceding financial year.
- xi. According to the information and explanations given to us and records produced before us for verification, the company does not have any loan or dues from any financial institution or bank nor has issued any debentures. So this clause is not applicable to the Company.
- xii. In our opinion and according to the information and explanations given to us and based on the information available, the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion the company is not a chit fund or a nidhi mutual benefit fund/society. Therefore, the provision of clause 4(xiii) of the companies (Auditor's Report) order, 2003 (as amended) are not applicable to the company.
- xiv. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the companies (Auditor's Report) order, 2003 (as amended) are not applicable to the company.
- xv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from bank or financial institutions.

- xvi. Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we are of the opinion that there are no funds raised on short-term basis that have been used for long term investment.
- xviii. According to the information and explanations given to us the company, has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the company.
- xix. The company did not have any outstanding debenture during the year.
- xx. The company has not raised any amount through public issue during the year.
- xxi. In our opinion and according to the information and explanations given to us, no material fraud on or by the company has been noticed or reported during the year.

For S. Bhalotia & Associates
(Chartered Accountants)
Firm's Registration No. 325040E

CA Vikash Kumar
(Partner)
Membership No. 067471
Place: Kolkata
Date: The 17th Day of May, 2014

NE HILLS HYDRO LIMITED
Regd. Office: 1st FLOOR, UNIT 9B, SATYAM TOWER, 3 ALIPORE ROAD
KOLKATA-700027
Balance Sheet as at 31st March 2014

		(₹) In Hundred	
	Note No	31.03.14	31.03.13
<u>EQUITY AND LIABILITIES</u>			
<u>Shareholders' Funds</u>			
Share Capital	2.1	7,000.00	7,000.00
<u>Current Liabilities</u>			
Other Current Liabilities	2.2	154.74	72.79
Total		7,154.74	7,072.79
<u>ASSETS</u>			
<u>Non-current Assets</u>			
Fixed Assets			
-Capital Work in Progress	2.3	1,503.07	1,301.91
		1,503.07	1,301.91
Non Current Investments	2.4	2,700.00	2,700.00
Long Term Loans and Advances	2.5	750.00	750.00
Other Non Current Assets	2.6	417.08	417.08
		3,867.08	3,867.08
<u>Current Assets</u>			
Cash and Bank Balances	2.7	1,784.59	1,903.80
Total		7,154.74	7,072.79
Summary of significant accounting policies and notes on account		1 & 2	
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For S. Bhalotia & Associates
(Chartered Accountants)
 Firm's Registration No.325040E

For & on behalf of Board

CA. Vikash Kumar
 (Partner)
 Membership No. 067471
 Date: 17.05.2014
 Place: Kolkata

Hari Prasad Agarwal
Director

Rajesh Agarwal
Director

NE HILLS HYDRO LIMITED

Significant Accounting Policies & Notes on Accounts

Corporate information

NE Hills Hydro Limited (the company) is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. No Statement of Profit & Loss has been prepared since the Company has not commenced commercial operation.

1. Significant Accounting Policies

1.1. Basis of preparation

The financial statements are prepared under the historical cost convention on accrual basis and on the basis of going concern and in accordance with the applicable Accounting Standards notified by the Companies (Accounting Standards Rules) 2006 and other guidelines issued by The Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

1.2. Presentation and disclosure of financial statements

The financial statements of the company have been prepared in accordance with generally accepted accounting principles in India. The company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

1.3 Fixed Assets

- i) Fixed Assets are stated at cost net of CENVAT/Value Added Tax, rebates, less accumulated depreciation and impairment loss, if any.
- ii) All costs, including financing costs till commencement of commercial production, net charges on foreign exchange contracts and adjustment arising from exchange rate variations attributable to fixed assets are capitalized.
- iii) Expenses incurred relating to project prior to commencement of commercial production are classified as Pre-operative expenditure and disclosed under Capital Work in Progress (net of income earned during Pre-operative Stage.)

1.4 Depreciation

Depreciation on Fixed Assets is provided on written down value method at the rates and in the manner as prescribed in Schedule XIV to the Companies Act, 1956.

NE HILLS HYDRO LIMITED

1.5 Capital Work In Progress

Capital work in progress is carried at cost comprising direct cost and pre-operatives expense during construction period to be allocated to the fixed assets on the completion of construction.

1.6 Investments

Current Investments are stated at lower of cost and market/fair value. Long-term investments are stated at cost after deducting provisions for permanent diminution in the value, if any.

1.7 Revenue Recognition

Sale is recognized on passing of title of goods and net of trade discount and rebate and duties in respect of which set-off can be claimed. Expenses to the extent considered payable, unless specifically stated to be otherwise, are accounted on mercantile basis.

1.8 Miscellaneous Expenditure

Preliminary Expenses are written off in the first year of operation.

1.9 Taxes on Income

Tax expenses comprises of current and deferred tax. Provision for the current tax is made on the basis of taxable income for the current accounting year in accordance with the provisions of Income Tax Act, 1961. The deferred tax in respect of timing differences which originate during the tax holiday period and is likely to reverse during the tax holiday period, is not recognized to the extent income is subject to deduction during the tax holiday period as per the requirements of the Income Tax Act, 1961. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that the assets will be realized in future. Deferred tax assets / liabilities are reviewed as at Balance Sheet date based on developments during the year and available case laws to reassess realization / liabilities.

1.10 Provisions and Contingencies

A Provision is recognized for a present obligation as a result of past events if it is probable that an outflow of resources will be required to settle the obligation and in respect of which a reliable estimate can be made. Provisions are determined based on best estimates of the amount required to settle the obligation at the Balance Sheet date. A contingent liability of an outflow of resources is remote. Contingent assets are neither recognized nor disclosed in the financial statements.

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2. Note to Financial Statement for the year ended 31st March 2014

(₹) in Hundred

Note - 2.1	31.03.14	31.03.13
Share Capital		
Authorised Capital 1,00,000 (1,00,000 as at 31.03.13) Equity Shares of ₹10/- each	10,000	10,000
Issued, Subscribed & Paid -up 70,000 (70,000 as at 31.03.13) Equity Shares of ₹10/- each fully paid up in cash	7,000	7,000

a Terms/Rights attached to equity shares

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

In the event of liquidation of the company, the holders of the equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

b Reconciliation of No. of shares outstanding at the beginning and at the end of the reporting period

<u>Equity Share Capital</u>	<u>No. of Shares</u>	<u>No. of Shares</u>
At the beginning of the year	70,000	70,000
Issued during the year	-	-
Outstanding at the end of the year	70,000	70,000

c Shares held by Holding Company

	<u>No. of Shares</u>	<u>No. of Shares</u>
Cement Manufacturing Company Ltd	69,994	69,994

d Details of Shareholders holding more than 5% of Equity Share capital

<u>Name of the Shareholder</u>	<u>No. of Shares</u>	<u>No. of Shares</u>
	<u>% of holding</u>	<u>% of holding</u>
Cement Manufacturing Company Ltd*	70,000	70,000
	100.00%	100.00%

* Out of 70,000 shares ,60 shares has been held by other persons as nominee shareholders

(₹) in Hundred

Note - 2.2	31.03.14	31.03.13
Other Current Liabilities		
-Creditors for expenses	154.74	72.79
	154.74	72.79

NE HILLS HYDRO LIMITED

Note to Financial Statement for the year ended 31st March 2014

(₹) in Hundred

Note -2.3	31.03.14	31.03.13
<u>CAPITAL WORK IN PROGRESS</u>		
<u>Pre-operative Expenses pending allocation</u>		
Audit Fees	389.20	332.99
Bank Charges	8.41	7.86
Certification Expenses	37.51	37.51
Director Sitting Fees	200.00	200.00
Filing Fees	102.08	95.24
General Expenses	60.50	60.50
Legal Expenses	21.30	21.30
Printing & Stationery	94.99	94.99
Professional & Consultancy	144.97	72.55
Rates & Taxes	403.00	377.86
Travelling & Conveyence	41.11	1.11
	1,503.07	1,301.91

NE HILLS HYDRO LIMITED

Note to Financial Statement for the year ended 31st March 2014

(₹) in Hundred		
Note - 2.4	31.03.14	31.03.13
<u>Non Current Investments</u>		
<u>Trade Investments (Valued at cost unless stated otherwise)</u>		
<u>Investment in Unquoted Equity Instruments</u>		
Ribhoi Engineering Co Pvt Ltd		
27,000 (27,000 as at 31.03.13) Equity Shares of ₹ 10/- each fully paid up	2,700.00	2,700.00
	2,700.00	2,700.00
(₹) in Hundred		
Note - 2.5	31.03.14	31.03.13
<u>Long Term Loans and Advances</u>		
<u>Capital Advances</u>		
-Advances against Capital Works	750.00	750.00
	750.00	750.00

NE HILLS HYDRO LIMITED

Note to Financial Statement for the year ended 31st March 2014

(₹) in Hundred		
Note - 2. 6	31.03.14	31.03.13
<u>Other Non Current Assets</u>		
<u>Others</u>		
-Unammortised Expenses	417.08	417.08
	417.08	417.08
(₹) in Hundred		
Note - 2. 7	31.03.14	31.03.13
<u>Cash & Bank Balances</u>		
<u>Bank Balance</u>		
- Balances With Bank in Current Account	773.56	888.52
Cash In Hand	1,011.03	1,015.28
	1,784.59	1,903.80

NE HILLS HYDRO LIMITED

NOTE -2.8

- i) No Statement of Profit and Loss Account has been prepared since the Company has not commenced revenue operation. The expenditures incurred during the construction period are classified as 'Pre-operative Expenses' pending capitalization and will be apportioned to the Assets on the completion.

(₹ In hundred)

Sl. No.	Particulars	For the year 2013-14	For the year 2012-13
	Opening Balance	1301.91	749.37
(i)	Auditors Remuneration	56.21	56.21
(ii)	Bank Charges	0.55	3.79
(iii)	General Expense	-	40.00
(iv)	Filing Fees	6.84	18.09
(v)	Professional & Cons.	72.42	20.00
(vi)	Printing & Stationary	-	30.59
(vii)	Rates & Taxes	25.14	278.86
(viii)	Certification Fees	-	5.00
(ix)	Director Sitting Fees	-	100.00
(x)	Travelling & Conveyance	40.00	-
	Total	1503.07	1301.91

- ii) Payment made to the Auditors' during the period is as under:

(₹ In hundred)

Particulars	2013-14	2012-13
As Auditor		
- Audit Fees	56.21	56.21

- iii) The contingent liability of the company is nil.
- iv) The Company does not have dues with respect to the Micro, Small and Medium Enterprises as defined in Micro, Small & Medium Enterprise Development Act, 2006.
- v) Considering the nature of company's business and operations, there are no separate reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17-'Segment reporting'. Notified in the Companies (Accounting Standards) Rules 2006.

NE HILLS HYDRO LIMITED

vi) **Related Party Disclosures**

Names of the transacting related parties and related party relationship

Holding Company	Cement Manufacturing Company Limited (CMCL)
Key Management Personnel	Mr. Hari Prasad Agarwal(Director)
	Mr. Sanjay Kumar Agarwal (Director)
	Mr. Rajesh Kumar Agarwal (Director)
	Mr. Mangilal Jain (Director)

Details of transactions between the Company and related parties and the status of outstanding balance as at 31st March'2014

(i) There was no Related Party Transaction in the Current Financial Year i.e. 2013-14.

vii) **Previous year figures**

The company has reclassified previous year figures to conform to this year's classification.

viii) All the figures have rounded to the nearest Rupees in Hundred.

For S. Bhalotia & Associates
(Chartered Accountants)
Firm's Registration No. 325040E

For and on behalf of the Board

CA. Vikash Kumar
(Partner)
Membership No - 067471
Date: 17.05.2014
Place: Kolkata

Hari Prasad Agarwal
Director

Rajesh Agarwal
Director