

Terra Energy Limited

Annual Report 2015 - 16

Terra Energy Limited

Board of **Directors**

Mr R V Tyagarajan

Mr V Thirupathi

Mrs Malathi Ram Tyagarajan

Chief Financial Officer

Mr R R Karthikeyan

Company Secretary

Mrs D Subhashini (From August 12, 2016)

Mr K Ramesh

Banker

- State Bank of India

Auditors

M/s. S.N.S. Associates
Chartered Accountants
No. 12, 11th Cross Street, Indira Nagar
Chennai - 600 020.

Registered Office

CIN:U40105TN1995PLC030420
Eldorado, Fifth Floor,
112, Nungambakkam High Road,
Chennai - 600 034
Phones : 2827 6001, 2827 8267
Fax : 044-2827 0470

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TERRA ENERGY LIMITED

CIN:U40105TN1995PLC030420

Regd. Office: "Eldorado" - 5th Floor 112, Nungambakkam High Road, Chennai - 600 034
Phone: 044 - 28276001, 28270915; Fax: 044-28270470

Notice to Shareholders

NOTICE is hereby given that the 20th Annual General Meeting of the Shareholders of the Company will be held at 9.30 A.M. on Friday, September 30, 2016 at the Obul Reddy Hall, "Vani Mahal", 103 G.N. Chetty Road, T. Nagar, Chennai - 600 017 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the audited Financial Statements for the year ended March 31, 2016 and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr R V Tyagarajan (DIN 02266945), Director, who retires by rotation and being eligible offers herself for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

RESOLVED THAT the reappointment of M/s. S.N.S. Associates, Chartered Accountants, Chennai, having Firm Registration No.006297S allotted by the Institute of Chartered Accountants of India, as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting (AGM) until the conclusion of the next AGM of the Company, for the third year, as recommended by the Audit Committee and approved by the Board of Directors of the Company, pursuant to Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014, on such remuneration as the Board of Directors of the Company may determine, be and is hereby ratified.

By order of the Board
for TERRA ENERGY LIMITED

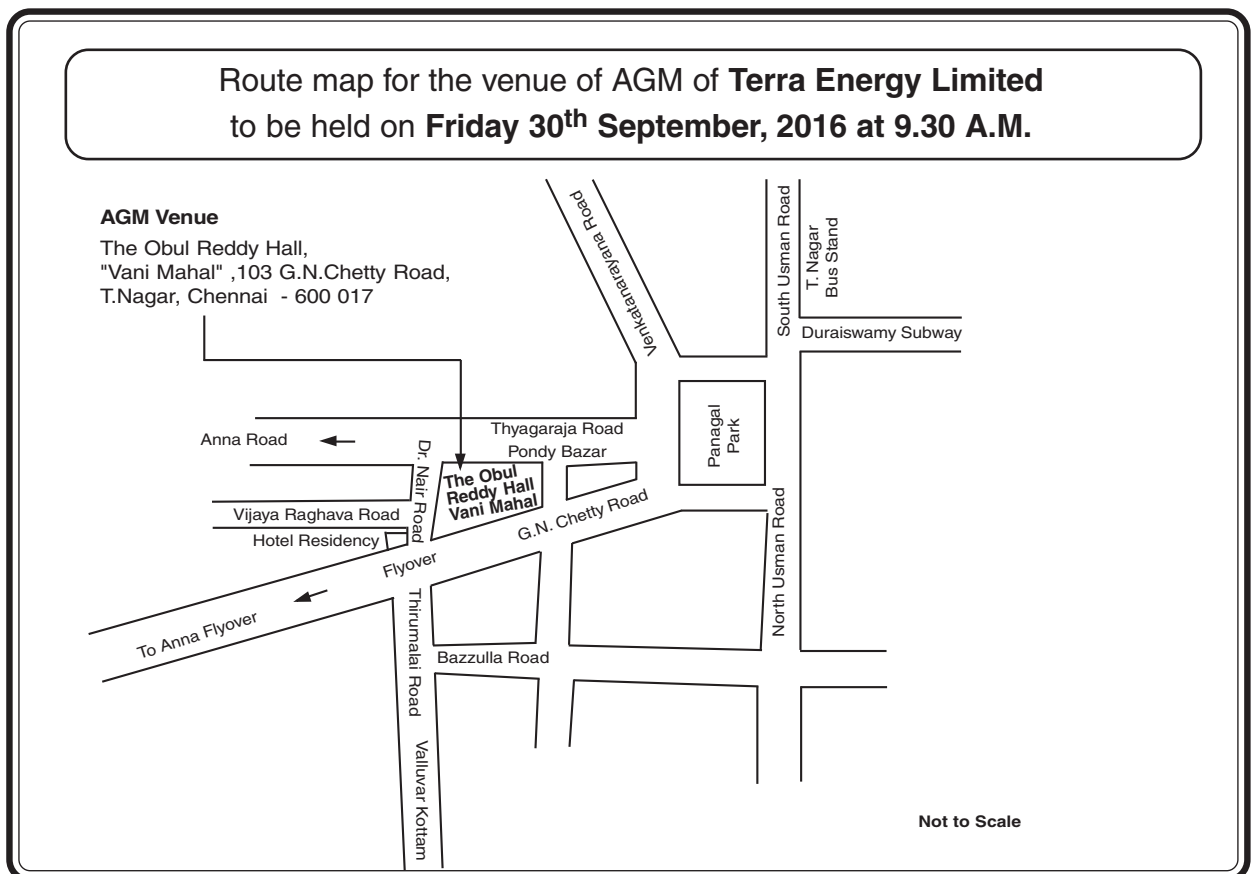


R V Tyagarajan
Director

Place : Chennai
Date : August 12, 2016

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of himself and a Proxy need not be a member. A person can act as proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company. A member holding more than 10% of the total share capital of the Company may appoint a person as proxy and such person shall not act as proxy for any other person or shareholder. A Proxy Form is attached.
2. Instrument of proxy for use at the above meeting must be lodged at the Registered Office of the Company, not later than 48 hours before the time fixed for the meeting.



Dear Shareholders,

Your Directors present the 20th Annual Report on the working of the Company for the year ended March 31, 2016.

Financial Results

(₹ in millions)

	2015-16	2014-15
Profit before Interest & Depreciation	101.98	91.68
Less : Interest and Finance Charges	66.84	59.59
- Depreciation	27.57	26.84
Profit before Tax	7.57	5.25
Less : Provision for Taxation		
- Current Tax	1.50	1.05
- Deferred Tax (Net)	4.10	1.02
Profit after Tax	1.97	3.18
Add : Surplus from Previous Year	182.42	179.24
Profit available for appropriation	184.39	182.42
Balance carried to Balance Sheet	184.39	182.42

Dividend

In view of the inadequate profit reported for the year, no Dividend on Equity Shares is recommended.

Company Performance

During the year under report, the cogeneration plants at Tirumandankudi and A.Chittur together generated 49.57 million units of power, of which 22.22 million units were exported to the State Grid fetching gross revenue of Rs.132.65 million.

As per the Power Purchase Agreement entered into between the Company and Tamil Nadu Generation and Distribution Company Ltd (TANGEDCO), the tariff payable in respect of power exported by the Company is governed by the proceedings of the TANGEDCO dated January 11, 2000 and May 16, 2000. Vide the aforesaid proceedings, the tariff was fixed for a period of 10 years from April 01, 2000 to March 31, 2010 with a condition that it would be reviewed after the above period. After the aforesaid period, TANGEDCO has filed a Petition before the Tamil Nadu Electricity Regulatory Commission (TNERC) for determination of the tariff as required under the Electricity Act, 2003 and the said Petition was disposed by TNERC vide Order dated March 31, 2016. The Company has filed an appeal against the Order of TNERC before the Appellate Tribunal for Electricity and the same is pending disposal.

DIRECTORS:

Mr R V Tyagarajan, Director, retires by rotation at the forthcoming Annual General Meeting and being eligible, offers himself for reappointment.

Evaluation of the Board, Committees and Directors

In terms of Section 134 of the Companies Act, 2013, the Board reviewed and evaluated its own performance from the perspectives of Company performance based on the evaluation criteria formulated by the Nomination and Remuneration Committee. The Board reviewed the performance of the Directors individually in respect of decision-making, quality of information and follow-up action and that of the Boards' Committees viz. Audit Committee and Nomination and Remuneration Committee. The performance evaluation has been done by the Board of Directors, excluding the Director concerned being evaluated. The Board discussed in detail the recommendations of the Boards' Committees before approving them for implementation. The Board met five times during the year under review.

The Board has, on the recommendation of the Nomination and Remuneration Committee, formulated a policy for

selection and appointment of Directors and Senior Management Executives and their remuneration. The policy contains the norms for determining qualifications, positive attributes and independence of Directors.

Directors' Responsibility Statement

Pursuant to Section 134(3)(c), the Directors confirm:

- that in the preparation of the Annual Accounts for the Year ended March 31, 2016, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on March 31, 2016 and of the Profit of the Company for the year ended on that date;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that the Directors have prepared the annual accounts on a going concern basis.
- that the Directors have laid down internal financial controls to be followed by the Company and that the said internal financial controls are adequate and were operating effectively.
- that the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

AUDITORS

Statutory Auditors:

The Company at its 18th Annual General Meeting (AGM) held on September 29, 2014 appointed M/s. S.N.S. Associates, Chartered Accountants, Chennai, having Firm Registration No.006297S allotted by The Institute of Chartered Accountants of India, as Statutory Auditors of the Company, to hold office for three consecutive years from the conclusion of the aforesaid AGM, subject to ratification at every AGM. The Auditors' Report for the year ended March 31, 2016 does not contain any qualification or adverse remark and the same is attached with the Annual Report. The Company has obtained certificate

under Section 141 of the Companies Act, 2013 from M/s. S.N.S. Associates, confirming their eligibility for being the Statutory Auditors of the Company for the Financial Year 2016-17.

Cost Audit and Secretarial Audit:

As per the Companies (Cost Records and Audit) Rules, 2014, the requirement for Cost Audit for the Financial Year shall not apply since both the net worth and turnover of the Company for year ended March 31, 2016 are less than the threshold limit prescribed under the aforesaid Rules. Since the Company does not meet the criteria laid down in Section 204 of the Companies Act, 2013, it is not required to carry out Secretarial Audit as contemplated under the said Section of the Act.

Internal control and their adequacy

The Company has adequate internal control system to ensure that the assets of the Company are safeguarded, all the transactions are authorised and accounted for, and all statutory obligations are complied with. The internal audit is carried out by one of the Senior Executives of the Company, who attends the meetings of the Audit Committee and his Reports are placed at regular intervals before the Audit Committee for its scrutiny.

DISCLOSURES:

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo

Information on conservation of energy, technology absorption, foreign exchange earnings and outgo are given in the **Annexure I** to this Report, pursuant to Section 134(3)(m) of the Companies Act, 2013 read with the Companies (Accounts) Rules 2014.

Corporate Social Responsibility

Section 135 of the Companies Act, 2013 has mandated companies having minimum net worth of Rs.500 crores or turnover of Rs.1000 crores or a net profit of Rs.5 crores during any financial year to constitute a Corporate Social Responsibility Committee of the Board. As the Company does not meet any of the aforesaid stipulations, it remains outside the purview of Section 135 of the Companies Act, 2013 and accordingly, is not required to make any disclosure in terms of the aforesaid Section.

Annual Return

Extract of Annual Return in the prescribed form is given as **Annexure II** to this Report, as required under Section

134(3)(a) of the Companies Act, 2013 read with the Companies (Accounts) Rules 2014.

Employees' Remuneration

The Company does not have any employee drawing remuneration warranting disclosure under Section 197 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014.

Details of Related Party Transactions

All related party transactions entered into during the financial year were on arm's length basis and were in the ordinary course of business. All related party transactions are placed before the Audit Committee and the Board for approval. Prior omnibus approval of the Audit Committee is obtained for the transactions which are foreseeable and repetitive in nature. Particulars of contracts or arrangements with Related Party referred to in Section 188 (1) of the Companies Act, 2013 read with the Companies (Accounts) Rules, 2014 are furnished in **Form AOC - 2 (Annexure - III)**.

Vigil Mechanism

The Company has a Policy which provides a formal vigil mechanism for all the Directors, Employees and Stakeholders of the Company, to report to the Management genuine concerns and grievances about unethical behaviour and actual and suspected fraud. The Policy provides direct access to the Chairman of the Audit Committee and safeguards against victimisation of employees and Directors.

Audit Committee

The Audit Committee comprises Mr V.Thirupathi, Chairman, Mr R V Tyagarajan and Mrs Malathi Ram, Members.

Details of Loans / Guarantees / Investments made

The Company has issued Corporate Guarantees for a total sum of ₹ 1644.20 million, as collateral security for the Credit Facilities extended to the holding company, Thiru Arooran Sugars Ltd. The Company has not given loan or made any investment during the financial year under review, in terms of Section 186 of the Companies Act, 2013.

Other disclosures:

The Company has not accepted any deposit from the public in terms of Section 73 of the Companies Act, 2013

read with Companies (Acceptance of Deposits) Rules, 2014.

There were no significant or material orders passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

There is no change in the nature of business of the Company during the year under review. There are no material changes and commitments in the business operations of the Company during the period from the close of the Financial Year 2015-16 to the date of this Report.

During the year under review, there were no complaints/cases filed pursuant to the provisions of Sexual

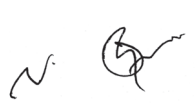
Harassment of Women at Workplace (Prevention, Prohibitions and Redressal) Act, 2013.

The Company has formulated the procedure for risk assessment and its mitigation through an internal Risk Committee. Key risks and its mitigation based on the inputs from the Committee are assessed and reported to the Audit Committee.

Acknowledgement:

Your Directors wish to place on record their sincere thanks and appreciation to the Shareholders, Employees, Bankers, Tamil Nadu Generation and Distribution Corporation Ltd, and also the Central and State Governments for their continued cooperation and support.

On behalf of the Board



V Thirupathi
Director



R V Tyagarajan
Director

Place : Chennai

Date : August 12, 2016

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO AS PER COMPANIES (ACCOUNTS) RULES, 2014

A. CONSERVATION OF ENERGY

- i) Steps taken or impact on conservation of energy

The Company has taken various steps for energy conservation and continues to give priority. Some of the important steps taken are as under:

- Installation of CFL lamps in place of normal tubes and incandescent lights
- VFD drives have been installed in Boiler ID Fans

- ii) Steps taken for utilisation of alternate source of energy

The Company have bagasse based cogeneration plants and the Power generated meets captive needs, while surplus is exported to the State Grid.

- iii) Capital Investment on Energy Conservation Equipments

No new investment plan is under consideration in view of the difficult liquidity position of the Company for the past four years.

B. TECHNOLOGY ABSORPTION

- i) The efforts made towards technology absorption and benefits derived : NIL

- ii) In case on imported technology (imported during last three years reckoned from the beginning of the financial year 2013-14).

Details on technology imported : NIL

- iii) The expenditure incurred on Research and Development : NIL

C. Foreign Exchange Earnings and Outgo : NIL

Annexure - II to the Board's Report

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As of the Financial Year ended on 31st March, 2016

[Pursuant to Section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS

CIN	U40105TN1995PLCO30420
Registration Date	March 08, 1995
Name of the Company	TERRA ENERGY LIMITED
Category/Sub-Category of the Company	Public Limited Company - Limited by Shares
Address of the Registered office and Contact details	'Eldorado' Building, 5 th Floor, 112 Uthamar Gandhi Salai, Nungambakkam, Chennai 600034 Ph: 044- 2827 6001 & 2827 0915
Whether listed company Yes / No	No
Name, Address and Contact details of Registrar and Transfer Agent, if any	The Company has no Registrar and Transfer Agent

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

Sl. No	Name and Description of main products / services	NIC code of the product / service	% to total turnover of the Company
1	Power	3510	82.88

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No	Name and Address of the Company	CIN / GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1.	M/s Thiru Arooran Sugars Ltd 'Eldorado', 5th Floor, 112, Nungambakkam High Road, Chennai 600034	L15421TN1954PLC002915	Holding	66.19	2(46)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year - As on 31 st March 2015				No. of Shares held at the end of the year - As on 31 st March 2016				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters									
1. Indian									
a) Individual/ HUF	-	740	740	0.00	-	740	740	-	-
b) Bodies Corp.	1,16,54,100	88,86,424	2,05,40,524	66.19	1,16,54,100	88,86,424	2,05,40,524	66.19	-
Sub Total (A1)	1,16,54,100	88,87,164	2,05,41,264	66.19	1,16,54,100	88,87,164	2,05,41,264	66.19	-

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity) (Contd.)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year - As on 31 st March 2015				No. of Shares held at the end of the year - As on 31 st March 2016				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
B. Public									
1. Non-Institutions									
a) Bodies Corp.									
i) Indian	36,36,363	200	36,36,563	11.72	36,36,363	200	36,36,563	11.72	-
ii) Overseas	-	68,55,030	68,55,030	22.09	-	68,55,030	68,55,030	22.09	-
b) Individuals	-	60	60	0.00	-	60	60	0.00	-
Sub-Total (B1)	36,36,363	68,55,290	1,04,91,653	33.81	36,36,313	68,55,290	1,04,91,653	33.81	-
Total (A1) & (B1)	1,52,90,463	1,57,42,454	3,10,32,917	100.00	1,52,90,463	1,57,42,454	3,10,32,917	100.00	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	1,52,90,463	1,57,42,454	3,10,32,917	100.00	1,52,90,463	1,57,42,454	3,10,32,917	100.00	-

ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	No. of Shares held at the beginning of the year			No. of Shares held at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered of total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered of total shares	
1	Mr R V Tyagarajan	440	0.00	Nil	440	0.00	Nil	Nil
2	Mrs Malathi Ram	300	0.00	Nil	300	0.00	Nil	Nil
3	M/s Thiru Arooran Sugars Ltd	2,05,40,524	66.19	NIL	2,05,40,524	66.19	NIL	Nil
	Total	2,05,41,264	66.19	NIL	2,05,41,264	66.19	NIL	Nil

iii) Change in Promoters' Shareholding: Nil

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl. No	Name of Shareholders	Shareholding at the beginning of the year		Date	Increase / Decrease in Shareholding during the year	Reason	Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company				No. of Shares	% of total shares of the Company
1	Brompton Investments Ltd	68,55,030	22.09	-	Nil	-	68,55,030	22.09
2	KSK Energy Ventures Ltd	36,36,363	11.72	-	Nil	-	36,36,363	11.72
3	Shree Ambika Sugars Ltd	100	0.00	-	Nil	-	100	0.00
4	Mustang Trading & Investments Pvt Ltd	100	0.00	-	Nil	-	100	0.00
5	Mr R Palaniappan	20	0.00	-	Nil	-	20	0.00
6	Mr G Durai	20	0.00	-	Nil	-	20	0.00

v) Shareholding of Directors and Key Managerial Personnel

Sl. No	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1	Mr R V Tyagarajan	440	0.00	440	0.00
2	Mrs Malathi Ram	300	0.00	300	0.00
3	Mr R R Karthikeyan	20	0.00	20	0.00

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment (₹ million)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	619.96	-	-	619.96
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	6.48	-	-	6.48
Total (i + ii + iii)	626.44	-	-	626.44
Change in Indebtedness during the financial year				
- Addition	-	-	-	-
- Reduction	77.55	-	-	77.55
Net Change	(77.55)	-	-	(77.55)
Indebtedness at the end of the financial year				
i) Principal Amount	535.81	-	-	535.81
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	13.08	-	-	13.08
Total (i + ii + iii)	548.89	-	-	548.89

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Director(s) and / or Manager: (in ₹)

Sl. No.	Particulars of Remuneration	
1.	Gross salary	
	a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	Nil
	b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	Nil
	c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	Nil
2.	Stock Option	Nil
3.	Sweat Equity	Nil
4.	Commission	
	- as % of profit	
	- others, specify...	Nil
5.	Others, please specify Retiral Benefits	Nil
	Total(A)	Nil
	Ceiling as per the Act (Excludes contribution to retirement benefits exempt under the Income Tax Act, 1961)	-

B. Remuneration to other Directors:

(in ₹)

Sl. No.	Particulars of Remuneration	Name of Directors	Total Amount
1.	Independent Directors	Mr V Thirupathi	
	Fee for attending Board / Committee Meetings	60,000	60,000
	Commission	-	-
	Others if any, specify	-	-
	Total (1)	60,000	60,000
2.	Other Non-Executive Directors	Mrs Malathi Ram	
	Fee for attending Board / Committee Meetings	60,000	60,000
	Commission	-	-
	Others if any, specify	-	-
	Total (2)	60,000	60,000
	Total (1+2)	1,20,000	1,20,000
	Total Managerial Remuneration		
	Overall Ceiling as per the Act		@

@ Only Sitting Fees for Directors.

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole-time Director

(₹ lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Secretary	Chief Financial Officer	Total Amount
1	Gross salary			
	(a) Salary as per provisions contained in Sec 17(1) of the Income Tax Act,1961	6.86	-	6.86
	(b) Value of perquisites u/s 17(2) of the Income-tax Act,1961	0.82	-	0.82
	(c) Profits in lieu of salary under Section17(3) Income tax Act,1961	-	-	-
2	Stock Option	-	-	
3	Sweat Equity	-	-	
4	Commission			
	- as % of profit			
	- others, specify	-	-	
5	Others, please specify	-	-	
	Total	7.68	-	7.68

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES: NONE

Form No. AOC - 2

(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section 91) of Section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto.

1. *Details of material contracts or arrangements or transactions not at arm's length basis:*

NIL

2. *Details of material contracts or arrangements or transactions at arm's length basis:*

- a) *Name(s) of the Related Party and nature of relationship*

Thiru Arooran Sugars Ltd (TASL)

Holding company holds more than 50% of the total share capital of the Company.

- b) *Nature of the contracts / arrangements / transactions*

Purchase or sale of goods and services

This covers supply of Power and Steam in exchange for Bagasse.

- c) *Duration of the contracts / arrangements / transactions*

All are ongoing contracts and open ended and terminable by mutual consent by either party.

- d) *Salient terms of the contracts / arrangements / transactions*

As per the terms of arrangement, the Company supply Power and Steam in exchange for Bagasse. This arrangement has been in force since the date of transfer of the Power Plants by the Holding Company to the Company under the Scheme of Arrangement approved by the High Court of Madras.

- e) *Date of approval by the Board, if any.*

The ongoing arrangement between the Company and the Holding Company was approved by the Audit Committee and the Board at their meeting held on May 28, 2015.

- f) *Amount paid as advance, if any.*

As mutually agreed.

Independent Auditors' Report

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of TERRA ENERGY LIMITED ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss and 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 Standalone Financial Statements

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 standalone financial statements that give a true and fair view of the financial position and financial performance 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 of 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. 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.

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.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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:

- i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2016;
- ii) In the case of the Statement of Profit and Loss of its Profit for the year ended on that date and;
- iii) In the case of the Cash Flow Statement of the Cash Flows for the year ended that date.

Emphasis of Matter

We draw attention to Note No.27 of the Notes forming part of the Financial Statements relating to accounting of interest on amount due from TANGEDCO and Note No.28 regarding the rate at which power supplied to TANGEDCO has been billed, pending fixation of tariff, for the reasons stated therein.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016, ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in the paragraph 3 and 4 of the Order, to the extent applicable.
 2. 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 Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone 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 has disclosed the impact of pending litigations in the Financial Statements. Refer Note No,25,27,28 and 29 of the Notes to the Financial Statements.
 - (ii) The Company did not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
 - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For S N S Associates,
Chartered Accountants,
Firm Registration No. 006297S



S Nagarajan
Partner

Membership No. 20899
Chennai, June 14, 2016

**"Annexure A" to the Independent Auditors' Report of even date on the
Stand -alone financial statements of Terra Energy Limited**

Referred to in paragraph 1 under the heading 'report on Other Legal & Regulatory Requirement' of our report of even date to the financial statements of the Company for the year ended 31st March 2016:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us, the title deeds of immovable properties are held in the name of the Company.
- (ii) The Management has conducted physical verification of inventories at reasonable intervals and on the basis of information and explanations given to us and the records produced to us, no material discrepancies were noticed on such verification.
- (iii) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Companies Act 2013, except Trade deposit of Rs.50 million to the holding company Thiru Arooran Sugars Ltd. In our opinion and according to information and explanation given to us, the rate of interest and other terms and conditions of the said deposit are not prima facie prejudicial to the interest of the company.
- a) The Holding Company is regular the payment of interest on the Trade Deposit.
- b) The Trade Deposit has not fallen due for repayment and hence there are no over dues.
- (iv) In our opinion and according to the information and explanations give to us, in respect of provision of Investments, guarantee given for loans taken by the Holding company, the Company has complied with the provisions of section 185 and 186 of the Companies Act, 2013, as applicable.
- (v) The Company has not accepted any deposits from the public during the year.
- (vi) The Central Government has prescribed the maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013 and such

records and accounts have been made and maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.

- (vii) (a) The Company is regular in depositing 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 statutory dues with the appropriate authorities, though there has been delay in the remittance of sales tax / value added tax in a few cases.
- (b) There are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax or cess that have not been deposited on account of any dispute except the following:

Name of the Statute	Nature of the dues	Amount Rs.	Forum where the dispute is pending
Tamilnadu General Sales tax Act, 1959	Sales tax	9,335	Assistant Commissioner, Commercial Taxes
Tamilnadu General Sales tax Act, 1959	Sales tax	79,978	Deputy Commissioner, Commercial Taxes
Customs Act, 1961	Customs duty and penalty	60,60,434	CESTAT

- (viii) The Company has not defaulted in the repayment of loans or borrowings from banks and financial institutions though occasional delays were noticed in repayment of dues.
- (ix) The company has not raised moneys by way of initial public offer or further public offer. The term Loans were applied for the purpose for which those were availed.
- (x) According to the information and explanations given to us, no frauds by the Company or its officers or employees have been noticed or reported during the year.
- (xi) As explained to us, the Company has not paid/ provided any remuneration to its Managing Director except Sitting Fees to the Directors.
- (xii) The Company is not a Nidhi Company. Therefore, the provisions of clause 3 (xii) of the Order are not applicable to the Company.
- (xiii) In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been

disclosed in the Financial Statements as required by the applicable accounting standards.

- (xiv) Based upon the audit procedures performed and the information and explanations given to us by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review.

- (xv) Based upon the audit procedures performed and the information and explanations given to us by the management, the company has not entered into any non-cash transactions with director or persons connected with him.

- (xvi) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934.

For S N S Associates,
Chartered Accountants,
Firm Registration No. 006297S



S Nagarajan
Partner
Membership No. 20899
Chennai, June 14, 2016

**"Annexure B" to the Independent Auditor's Report of even date on the
Standalone Financial Statements of TERRA ENERGY LIMITED**

**Report on the Internal Financial Controls under
Clause (i) 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 TERRA ENERGY LIMITED ("the Company") as of 31st March 2016 in conjunction with our audit of the standalone 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 system 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 procedure selected depend on the auditor's judgment, including the assessment of the risk 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,

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 (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 authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of

unauthorized 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 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 S N S Associates,
Chartered Accountants,
Firm Registration No. 006297S



S Nagarajan
Partner

Membership No. 20899
Chennai, June 14, 2016

BALANCE SHEET

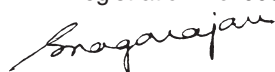
(₹ in million)

	Note No.	As at March 31, 2016	As at March 31, 2015
EQUITY AND LIABILITIES			
1 Shareholders' Funds			
a) Share Capital	2	310.33	310.33
b) Reserves and Surplus	3	512.13	510.16
2 Non-Current Liabilities			
a) Long Term Borrowings	4	450.07	525.11
b) Deferred Tax Liability (Net)	5	89.60	85.51
c) Long Term Provisions	6	0.99	0.96
3 Current Liabilities			
a) Short Term Borrowings	7	89.67	95.11
b) Trade Payables	8	97.78	126.92
c) Other Current Liabilities	9	103.90	106.71
d) Short Term Provisions	10	3.74	3.46
TOTAL EQUITY AND LIABILITIES		1,658.21	1,764.27
ASSETS			
Non-Current Assets			
1 a) Fixed Assets			
i) Tangible Assets	11	695.22	693.77
ii) Intangible Assets		0.10	0.19
iii) Capital Work-in-progress		16.04	24.55
b) Non Current Investments	12	0.12	0.12
c) Long Term Loans and Advances	13	66.06	64.78
2 Current Assets			
a) Inventories	14	77.08	83.98
b) Trade Receivables	15	567.93	491.67
c) Cash and Cash Equivalents	16	0.99	7.98
d) Short Term Loans and Advances	17	128.39	306.65
e) Other Current Assets	18	106.28	90.58
TOTAL		1,658.21	1,764.27
Significant Accounting Policies	1		
See accompanying Notes forming part of the Financial Statements			

Vide our Report of even date attached

For SNS Associates
Chartered Accountants
Firm Registration No. 006297S

On behalf of the Board



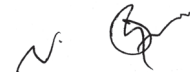
S Nagarajan
Partner
Membership No. 20899
Chennai, June 14, 2016



K Ramesh
Company Secretary



R R Karthikeyan
Chief Financial Officer



V Thirupathi
Director



R V Tyagarajan
Director

STATEMENT OF PROFIT AND LOSS

(₹ in million)

	Note No.	For the Year ended March 31, 2016	For the Year ended March 31, 2015
CONTINUING OPERATIONS			
I. Revenue from Operations	19	182.67	150.95
II. Other Income	20	33.19	36.78
III. Total Revenue (I + II)		215.86	187.73
IV. Expenses:			
Cost of Materials consumed	21	44.25	5.69
Employee Benefits Expense	22	21.84	25.52
Finance Cost	23	66.84	59.59
Depreciation and Amortization Expense		27.57	26.84
Other Expenses	24	47.79	64.84
Total Expenses		208.29	182.48
V. Profit Before Tax (III - IV)		7.57	5.25
VI. Tax Expense:			
1) Current Tax		1.50	1.05
2) Deferred Tax		4.10	1.02
VII. Profit After Tax from Continuing Operations (V - VI)		1.97	3.18
VIII. Earnings per Equity Share (Refer Note No. 35)			
1) Basic & Diluted (₹)		0.06	0.10

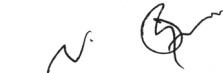
See accompanying Notes forming part of the Financial Statements

Vide our Report of even date attached

For SNS Associates
Chartered Accountants
Firm Registration No. 006297S

On behalf of the Board




S Nagarajan
Partner

K Ramesh
Company Secretary

R R Karthikeyan
Chief Financial Officer

V Thirupathi
Director

R V Tyagarajan
Director

Membership No. 20899
Chennai, June 14, 2016

I. Significant accounting policies

The following are the accounting policies adopted by the Company.

a) General

The accompanying Financial Statements have been prepared on the historical cost convention.

b) Fixed Assets

Fixed Assets are stated at cost

Depreciation has been provided on straight line method after considering the useful life of the assets as specified in Schedule II of the Companies Act 2013 and after retaining 5% of the cost of the asset as residual value on all assets except Factory Buildings. In respect of Factory Building the useful life is estimated based on technical evaluation. Such useful life is longer than the useful life specified in Schedule II. In respect of fixed assets acquired upto March 31. 2014, the unamortized value of the assets as at 31.3.2014 has been depreciated over the remaining useful life of the asset.

c) Investments

Investments are stated at cost. The diminution in the market value of such investments is not recognised unless such diminution is considered permanent.

d) Valuation of Inventories

Stores and sundry stock, and Bought out Raw Materials are valued at Cost or net realizable value whichever is lower.

e) Foreign Currency Transactions

Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction. All monetary assets and liabilities outstanding at the year end are restated using the closing rate. Resultant exchange difference is recognized as income or expenditure in that period.

f) Income and Expenditure recognition

Income is recognised and expenditure is accounted for on their accrual. Provision for Gratuity and leave encashment has been made on actuarial basis.

Under the barter agreement with the holding company, Thiru Arooran Sugars Limited, Steam and power is supplied for the cane crushing operations of the Sugar division in exchange for the Bagasse received from them. Consequently, no entries are passed in the financial books for the value of Bagasse received from them and Steam and Power supplied to them within the agreed norms for the Sugar Division pertaining to cane crushing operations. The transfer of steam and power more than agreed norms for cane crushing operations, or for any other activity of the Holding Company, Thiru Arooran Sugars Limited, is charged at cost, while power is charged at applicable rate charged to TANGEDCO.

g) Borrowing Costs

Borrowing costs that are attributable to the acquisition of or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes Substantial time to get ready for its intended use. All other borrowing costs are charged to revenue.

h) Employee Benefits

i) Short Term Employee Benefits

Short term Employee benefits are charged at the undiscounted amount to Profit and Loss Account in the year in which related service is rendered.

ii) Defined Contribution Plan

Contribution to defined contribution schemes towards retirement benefit in the form of Provident Fund and Superannuation Fund for the year is charged to Profit and Loss Account as incurred.

iii) Defined Benefit Plan

Liabilities in respect of defined benefit plans are determined based on actuarial valuation made by an independent actuary using projected unit credit method as on the Balance Sheet date. Actuarial gains or losses are recognized immediately in the Profit and Loss Account.

Terminal benefits are recognised as expenses as and when incurred.

i) Impairment of Fixed Assets

Consideration is given at each Balance Sheet date to determine whether there is any indication of impairment on the carrying amount of the Company's Fixed Assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds recoverable amount.

NOTES

Forming part of the Financial Statements

(₹ in million)

	As at March 31, 2016	As at March 31, 2015
2. SHARE CAPITAL		
Authorised		
32,000,000 (P.Y.: 32,000,000) Equity Shares of ₹ 10/- each	320.00	320.00
1,800,000 (P.Y.: 1,800,000) Redeemable Preference Shares of ₹ 100/-each	180.00	180.00
	<u>500.00</u>	<u>500.00</u>
Issued, Subscribed and Paid up		
31,032,917 (P.Y.: 31,032,917) Equity Shares of ₹ 10/-each fully paid up	310.33	310.33
Total	<u>310.33</u>	<u>310.33</u>

a) 22,840,000 (P.Y.: 22,840,000) Equity Shares were allotted as fully paid up pursuant to Scheme of Arrangement without payment being received in cash

b) Reconciliation of the number of Shares:

Equity	As on March 31, 2016		As on March 31, 2015	
	No of shares	Amount	No of shares	Amount
Shares outstanding as on April 1, 2015	31,032,917	310.33	31,032,917	310.33
Shares outstanding as on March 31, 2016	31,032,917	310.33	31,032,917	310.33

	As on Mar 31,2016	As on Mar 31,2015
c) Details of shares held by the Holding Company, Thiru Arooran Sugars Ltd.	20,540,524	20,540,524

d) List of Shareholders holding more than 5% of the total number of shares issued by the Company:

Name of the share holder	As on March 31, 2016		As on March 31, 2015	
	No of Shares held	% of Shareholding	No of Shares held	% of Shareholding
Thiru Arooran Sugars Ltd.	20,540,524	66.19	20,540,524	66.19
Brompton Investments Ltd.	6,855,030	22.09	6,855,030	22.09
KSK Energy Ventures Ltd.	3,636,363	11.72	3,636,363	11.72

Terms and Rights attached to Equity Shares:

The Equity shares have a par value of ₹ 10/- each. Each holder of Equity Share is entitled to one vote per share. The dividend when proposed by the Board of Directors, is subject to the approval of the Shareholders in the ensuing Annual General Meeting. Repayment of capital on liquidation will be in proportion to the number of Equity Shares held.

NOTES

Forming part of the Financial Statements

(₹ in million)

	As at March 31, 2016	As at March 31, 2015
3. RESERVES & SURPLUS		
a) Share Premium Account As per the last Balance Sheet	278.18	278.18
b) USAID Matching Grant As per the last Balance Sheet	27.00	27.00
c) General Reserve As per the last Balance Sheet	24.68	24.68
d) Surplus		
Opening balance	180.30	179.24
Less: Depreciation on Transition to Schedule II of the Companies Act, 2013 on Tangible Fixed Assets with Nil remaining useful life.	-	(2.12)
Add: Net Profit for the year	1.97	3.18
Closing Balance	<u>182.27</u>	<u>180.30</u>
Total	<u>512.13</u>	<u>510.16</u>

	As at March 31, 2016	As at March 31, 2015
4. LONG TERM BORROWINGS		
Secured		
i) Term loans		
From State Bank of India	126.85	210.45
ii) Other Loans and Advances		
Tamil Nadu Newsprint and Papers Limited		
a) Interest bearing Loan	200.00	200.00
b) Interest Free Advances	<u>200.00</u>	<u>200.00</u>
	526.85	610.45
Less: Amount due within 12 months disclosed under Other Current Liabilities	76.78	85.34
Total	<u>450.07</u>	<u>525.11</u>

4.1 Term Loans of ₹ 126.85 million from State Bank of India as detailed below are secured by a charge on Fixed Assets excluding movables and Current Assets of the Company.

4.2 Rate of interest and terms of repayment of the Term Loans from State Bank of India is as follows:

Name of the Bank	Amount outstanding as on 31.03.2016	Terms of repayment and Rate of Interest
1. State Bank of India Term Loan - I	39.11	This loan carries interest at 3.60% p.a. above Bank's base rate (present rate 14.30% p.a.) and is repayable in 54 monthly instalments commencing from October, 2013.
2. State Bank of India Corporate Loan - II	87.74	This loan carries interest at 3.15% p.a. above Bank's base rate (present rate 14.40% p.a.) and is repayable in 72 monthly instalments commencing from April, 2014.
Total	<u>126.85</u>	

4.3 Interest bearing Advance from Tamil Nadu Newsprint and Papers Ltd of ₹ 200.00 million is secured by way of residuary charge, subservient to the charges created or to be created in favour of Lenders on the Fixed Assets of the Company. The loan carries interest at 9% p.a. and is repayable in 23 half yearly instalments of ₹ 8.70 million each commencing from September, 2015.

4.4 Interest free Advance from Tamil Nadu Newsprint and Papers Ltd of ₹ 200.00 million is secured by way of residuary charge, subservient to the charges created or to be created in favour of Lenders on the Fixed Asset of the Company. The said Advance is repayable on completion of Fuel Supply Agreement which is valid till September 30, 2026.

4.5 Term Loans of ₹ 126.85 million are also Guaranteed by Mr. R V Tyagarajan, Director.

NOTES

Forming part of the Financial Statements

(₹ in million)

	As at March 31, 2016	As at March 31, 2015
5. TAX EFFECTS OF ITEMS CONSTITUTING DEFERRED TAX LIABILITIES (NET)		
On difference between book balance and tax balance of Fixed Assets	192.96	180.21
Unabsorbed Depreciation and Business Loss	(102.13)	(98.59)
Expenses disallowed u/s 43 B allowable on payment	(1.23)	3.89
Total	<u>89.60</u>	<u>85.51</u>
6. LONG TERM PROVISIONS		
Provision for Employee Benefits		
Earned Leave	0.99	0.96
Total	<u>0.99</u>	<u>0.96</u>
7. SHORT TERM BORROWINGS		
Secured		
From Banks - Cash Credit	89.67	95.11
Total	<u>89.67</u>	<u>95.11</u>
7.1 Cash credit is secured by way of hypothecation of Current Assets viz., Stocks of Raw Material, Consumables, Stores and Spares and charges on Book Debts and second charge on immovable assets of the Company and by Corporate Guarantee of the holding Company, Thiru Arooran Sugars Limited. Cash Credit Facility carries interest at 12.75% p.a. Cash Credit Facility is renewable every 12 months.		
8. TRADE PAYABLES		
a) Dues to Micro, Small and Medium Enterprises (Refer Note no. 26)	-	-
b) Trade Payables		
i) Acceptances	-	50.02
ii) Others	97.78	76.90
Total	<u>97.78</u>	<u>126.92</u>
9. OTHER CURRENT LIABILITIES		
a) Current maturities of long term debt	76.78	85.34
b) Interest accrued and due on borrowings	13.08	-
c) Interest accrued but not due on borrowings	-	6.49
d) Other payables:		
i) Statutory dues	0.03	0.02
ii) Others	14.01	14.86
Total	<u>103.90</u>	<u>106.71</u>
Refer Note no. 4 for current maturities of long term Debts		
Refer Note no. 4.1 and 4.5 for details of Securities and Guarantee		
10. SHORT TERM PROVISIONS		
a) Provision for Employee Benefits		
i) Contribution to Provident Fund	0.26	0.28
ii) Gratuity	2.60	2.61
iii) Earned Leave	0.12	0.06
iv) Bonus	0.28	0.06
v) Salaries and Wages	0.30	0.26
vi) Others	0.18	0.19
Total	<u>3.74</u>	<u>3.46</u>

NOTES

Forming part of the Financial Statements

11 FIXED ASSETS

(₹ in million)

Sl. No.	Description	Gross Block			Depreciation			Net Block	
		As at April 1, 2015	Additions	Sales/ Adjustment	As at March 31, 2016	As at April 1, 2015	For the year	As at March 31, 2016	As at March 31, 2015
a	Tangible Assets								
	Land - Freehold	10.56	-	-	10.56	-	-	10.56	10.56
	Buildings	87.51	-	-	87.51	1.22	42.73	44.78	46.00
	Plant and Equipment (i) Owned	1,716.69	27.51	-	1,744.20	25.83	1,106.38	637.82	636.14
	Furniture & Fittings and Office Equipments - Owned	3.98	1.42	-	5.40	0.21	3.41	1.99	0.78
	Vehicles	4.99	-	-	4.99	0.22	4.92	0.07	0.29
	Total	1,823.73	28.93	-	1,852.66	27.48	1,157.44	695.22	693.77
b	Intangible Assets								
	Computer Software	0.28	-	-	0.28	0.09	0.18	0.10	0.19
	Total	0.28	-	-	0.28	0.09	0.18	0.10	0.19
	Total (a+b)	1,824.01	28.93	-	1,852.94	27.57	1,157.62	695.32	693.96
c	Capital Work In Progress	24.55	19.00	27.51	16.04			16.04	24.55

NOTES

Forming part of the Financial Statements

(₹ in million)

Particulars	As at April 1 2015	Additions during the year	Realised during the year	As at March 31 2016
12. NON-CURRENT INVESTMENTS				
At Cost				
Non-Trade:				
In Equity Shares of the Company - Quoted				
1. 7,200 Equity Shares of ₹ 10/- each in Union Bank of India	0.12	–	–	0.12
Non-Trade:				
Investments in companies under the same Management - Unquoted				
2. 58 Equity Shares of ₹ 10/- each in Shree Ambika Sugars Limited	0.002	–	–	0.002
Total	0.12	–	–	0.12
Aggregate value of Quoted Investments (P.Y. ₹ 0.12 million)				0.12
Aggregate Market value of Quoted Investments (P.Y. ₹ 1.12 million)				0.94
	As at March 31, 2016		As at March 31, 2015	
13. LONG TERM LOANS AND ADVANCES				
(Unsecured and considered good)				
a) Trade Deposit with Holding Company - Thiru Arooran Sugars Ltd		50.00		50.00
b) Security Deposits		5.94		4.15
c) Advances for Capital Goods		5.65		5.72
d) Advance Tax (net of provisions)		4.47		4.91
Total		66.06		64.78
14. INVENTORIES				
(Valued at lower of Cost or Net Realisable value)				
a) Raw Materials		24.61		33.23
b) Stores and Spares		52.47		50.75
Total		77.08		83.98
15. TRADE RECEIVABLES				
(Unsecured and considered good)				
a) Trade Receivables outstanding for a period exceeding six months		483.19		441.50
b) Other Debts		84.74		50.17
Total		567.93		491.67

NOTES

Forming part of the Financial Statements

(₹ in million)

	As at March 31, 2016	As at March 31, 2015
16. CASH AND CASH EQUIVALENTS		
a) Cash on hand	0.08	0.14
b) Balance with Banks:		
i) In Current Account	0.88	2.43
ii) In Deposit Account	–	5.32
iii) In Earmarked Account	0.03	0.09
Total	<u>0.99</u>	<u>7.98</u>
16.1 Bank balance in Deposit Account include deposits of ₹ Nil (P.Y. ₹ Nil) which have maturity of more than 12 months.		
16.2 Bank balance in Deposit Account include deposits of ₹ Nil (P.Y. ₹ 5.32 million) as margin money to Banks for various facilities granted to the Company.		
17. SHORT TERM LOANS AND ADVANCES		
(Unsecured and considered good)		
a) Prepaid Expenses	1.64	1.73
b) Due from Holding Company - Thiru Arooran Sugars Ltd	30.44	156.59
c) Due from Associate Company - Shree Ambika Sugars Ltd	–	91.34
d) Due by Officers of the Company	0.50	0.50
e) Others	95.81	56.49
Total	<u>128.39</u>	<u>306.65</u>
18. OTHER CURRENT ASSETS		
a) Interest accrued on Deposits	–	0.10
b) Interest accrued on Trade Receivables	93.54	83.66
c) Others	12.74	6.82
Total	<u>106.28</u>	<u>90.58</u>

NOTES

Forming part of the Financial Statements

(₹ in million)

Particulars	For the Year ended March 31, 2016	For the Year ended March 31, 2015
19. REVENUE FROM OPERATIONS		
a) Sale of Products		
Sale of Power	132.65	101.43
Sale of Power and Steam to Thiru Arooran Sugars Ltd	48.27	48.85
	<u>180.92</u>	<u>150.28</u>
b) Other Operating Revenues		
Scrap Sale	0.09	–
Sundry Receipts	1.66	0.67
	<u>1.75</u>	<u>0.67</u>
Total Revenue from Operations	<u>182.67</u>	<u>150.95</u>
20. OTHER INCOME		
a) Interest Income		
i) Interest from Bank Deposits	0.52	1.56
ii) Interest on deposit with Holding Company	8.00	8.00
iii) Interest on overdue Trade Receivables	9.89	9.88
iv) Other Interest	14.70	17.29
b) Rent receipts	0.04	0.04
c) Dividend Income from Long Term Investments	0.04	0.01
Total	<u>33.19</u>	<u>36.78</u>
21. COST OF MATERIALS CONSUMED		
Opening Stock	33.23	16.57
Add: Purchases	35.63	22.35
	<u>68.86</u>	<u>38.92</u>
Less: Closing Stock	24.61	33.23
Cost of Materials Consumed	<u>44.25</u>	<u>5.69</u>
Material consumed comprises of		
Coal	43.44	4.79
Others	0.81	0.90
Total	<u>44.25</u>	<u>5.69</u>
22. EMPLOYEE BENEFITS EXPENSE		
a) Salaries and Wages	19.43	19.76
b) Contribution to Provident and other Funds	1.80	5.12
c) Staff Welfare Expenses	0.61	0.64
Total	<u>21.84</u>	<u>25.52</u>

NOTES

Forming part of the Financial Statements

(₹ in million)

Particulars	For the Year ended March 31, 2016	For the Year ended March 31, 2015
23. FINANCE COST		
a) Interest expense		
i) Term Loan	42.87	41.62
ii) Other Loans	20.68	16.81
b) Other Borrowing costs	3.29	1.16
Total	<u>66.84</u>	<u>59.59</u>
24. OTHER EXPENSES		
Consumption of Stores and Spares	4.28	4.64
Power and Fuel	19.39	32.34
Rent	0.32	0.44
Insurance	1.38	1.60
Rates & Taxes	2.10	1.53
Repairs & Maintenance:		
- Plant & Machinery	12.01	15.09
- Buildings	0.08	0.23
- Others	1.80	1.87
Transport and Handling Charges	0.06	0.23
Audit Fees and Expenses:		
a) For Statutory Audit	0.20	0.20
b) For Taxation matters	0.03	0.03
c) For Other Services	0.06	0.03
d) For reimbursement of expenses	0.01	-
Directors' Sitting Fees	0.14	0.11
Legal & Professional charges	1.58	2.07
Travelling and Conveyance	0.08	0.07
Donations	0.10	-
Printing and Stationery	0.03	0.07
Telephone and Telex	0.03	0.04
Vehicle Maintenance	0.24	0.17
Bank Charges	0.48	0.83
Security Expenses	3.00	2.68
Others	0.39	0.57
Total	<u>47.79</u>	<u>64.84</u>

Details	As at March 31, 2016	As at March 31, 2015
25. CONTINGENT LIABILITIES IN RESPECT OF		
a) Estimated amount of contracts to be executed on Capital Accounts and not provided for net of Advance	8.36	8.50
b) Other Commitments - Purchase order given for items such as raw materials, service etc.	1.74	2.44
c) Disputed Income Tax demand / liabilities not provided for	–	40.00
d) Disputed Sales Tax liabilities not provided for	0.09	0.09
e) Disputed Customs Duty liabilities not provided for	6.06	6.06
f) Claims against the Company not acknowledged as debt and not provided for	22.46	17.75
26. The Company has not received any intimation from the suppliers regarding status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure regarding:		
a) Amount due and outstanding to suppliers as at the end of the accounting year;		
b) Interest paid during the accounting year;		
c) Interest payable at the end of the accounting year and		
d) Interest accrued and unpaid at the end of the accounting year, have not been provided.		
27. In respect of power exported by the Company to Tamil Nadu Generation and Distribution Corporation (TANGEDCO) Limited during the off-season, TANGEDCO has settled the purchase price of power at a lower rate since April 01, 2005 till March 31, 2010 as against the applicable tariff under the Power Purchase Agreement (PPA) entered into between the Company and the TANGEDCO. The differential amount due from TANGEDCO on this account is ₹ 109.78 million (P.Y. ₹ 109.78 million). The Petition filed by the Company before the Tamil Nadu Electricity Regulatory Commission (TNERC) seeking direction to TANGEDCO to settle the arrears for the said period along with claim for interest is pending disposal. The interest claimed from TANGEDCO on the aforesaid arrears is ₹ 9.88 million (P.Y. ₹ 9.88 million) which is included in the 'Other Interest Income' under Item No.20.		
28. As per the Power Purchase Agreement entered into between the Company and TANGEDCO, the tariff payable in respect of power exported by the Company is governed by TANGEDCO's Board Proceedings No. 1 dated January 11, 2000 and No 93 dated May 16, 2000. Vide the aforesaid Board Proceedings, the tariff was fixed for a period of 10 years from April 01, 2000 to March 31, 2010 with a condition that it will be reviewed after this period. Upon expiry of the tariff period as aforesaid, since the power to determine tariff is vested by the Electricity Act, 2003 with the State Electricity Regulatory Commission, TANGEDCO filed Petition before TNERC for determination of the tariff effective from April 01, 2010. TNERC vide its Order dated March 31, 2016, has prescribed the tariff applicable to all cogeneration plants established prior to May 15, 2006. The Company has filed an appeal against the order of TNERC and based on legal advice is confident of succeeding in such Appellate Proceedings. Pending this the Company has continued to raise invoice for power exported to TANGEDCO at rates arrived at as earlier after considering escalation of 5% annually. Sale of power includes ₹ 65.30 million (P.Y. ₹ 47.64 million) representing the excess of the invoiced amount over the rate at which invoices are being settled by TANGEDCO.		
29. Company has filed an appeal before the Hon'ble Supreme Court of India against the Order of the High Court of Madras dismissing the Writ Petition filed by the Company, challenging the levy of Electricity Tax as per Tax on Consumption and Sale of Electricity Act, 2003 as amended by Act, 38 of 2007. Pending disposal of the Appeal/ Special Leave Petition by the Supreme Court, no provision is considered necessary for ₹ 64.11 million (P.Y. ₹ 62.21 million). Against this liability, demand has been raised for ₹ 31.32 million (P.Y. ₹ 29.72 million) which includes interest of ₹ 11.68 million (P.Y. ₹ 10.24 million) for sale of power through PTC which has been stayed by the High Court of Madras and demand of ₹ 74.81 million (P.Y. ₹ 71.09 million) inclusive of interest of ₹ 31.81 million (P.Y. ₹ 29.41 million) for consumption of power by sugar unit.		
30. The Company has given Corporate Guarantees of ₹ 4315.50 million (P.Y. ₹ 2036.40 million) to Banks for the Working Capital, Term Loan and Guarantee facilities sanctioned to its Holding Company. The total amount outstanding in respect of such Loans / Facilities as on March 31, 2016 is ₹ 3020.25 million (P.Y. ₹ 1942.15 million).		

NOTES

Forming part of the Financial Statements

31. Disclosure as per Accounting Standard - 15 (Revised) - Employee Benefits.

1. Defined Contribution Plans

Contribution of ₹ 1.64 million (P.Y. ₹ 1.73 million) to defined contribution plans is recognized as expense and included in the employee cost in the Statement of Profit and Loss

2. Defined Benefit Plans

(₹ in million)

General description	Gratuity Funded Plan		Leave Encashment Non Funded Plan	
	Year ended 31.03.2016	Year ended 31.03.2015	Year ended 31.03.2016	Year ended 31.03.2015
a) Change in Defined Benefit Obligation				
Present Value - Opening Balance	8.49	5.72	1.02	1.02
Current Service Cost	0.69	0.72	0.21	0.22
Interest Cost	0.64	0.43	0.08	0.08
Actuarial Gain / (Loss)	(0.56)	2.27	(0.10)	(0.25)
Benefits Paid	0.95	0.66	0.09	0.05
Present Value - Closing Balance	8.31	8.49	1.11	1.02
b) Change in fair value of Plan Assets				
Opening Balance	5.88	6.05	–	–
Expected Return	0.46	0.48	–	–
Actuarial Gain / (Loss)	0.32	0.01	–	–
Contributions by Employer	–	–	0.09	0.05
Benefits Paid	0.95	0.66	0.09	0.05
Closing Balance	5.72	5.88	–	–
Actual Return	0.78	0.48	–	–
c) Amount recognised in the Balance Sheet (as at Year end)				
Present Value of Obligations	8.31	8.49	1.11	1.02
Fair Value of Plan Assets	5.72	5.88	–	–
Net assets / (Liability) recognised	(2.60)	(2.61)	(1.11)	(1.02)
d) Expenses recognised in the Profit and Loss Account				
Current Service cost	0.69	0.72	0.21	0.22
Interest on obligation	0.64	0.43	0.08	0.08
Expected return on plan assets	0.46	0.48	–	–
Net actuarial Gain / (Loss)	(0.88)	2.27	(0.10)	(0.25)
Total Included in Employee Cost	(0.01)	2.94	0.19	0.05
e) Principal actuarial Assumptions				
Discount rate (%)	8.00%	8.00%	8.00%	8.00%
Future Salary Increase (%)	4.00%	4.00%	4.00%	4.00%
Rate of Return on plan assets	8.00%	8.00%	–	–

f) In the absence of detailed information regarding Plan assets which is funded with SBI Life Insurance Co Ltd, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of the plan assets has not been disclosed.

g) The Company expects to contribute ₹ 2.00 million (P.Y. ₹ 1.70 million) to Gratuity Fund in 2016-17.

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

NOTES

Forming part of the Financial Statements

32. RELATED PARTY DISCLOSURES

- a) Names of the Related Parties
1. Holding Company : Thiru Arooran Sugars Ltd.
 2. Associate Company : Shree Ambika Sugars Ltd.
- b) Key Managerial Personnel : R.V. Tyagarajan, Director
- c) Transactions with Holding and Associate Companies

(₹ in million)

	Year ended March 31, 2016		Year ended March 31, 2015	
	Holding Company	Associate Company	Holding Company	Associate Company
Sale of Materials	0.02	–	0.03	0.02
Purchase of Materials	0.07	–	0.08	–
Interest received on Trade Deposit	8.00	–	8.00	–
Sale of Steam & Power	48.27	–	48.85	–
Closing Balance Credit	–	–	–	–
Closing Balance Debit	30.44	–	156.59	91.34
Trade Deposit Outstanding	50.00	–	50.00	–
Investments made in :				
Equity shares				
Shree Ambika Sugars Ltd.,				
58 Equity Shares of ₹ 10/- each	–	0.002	–	0.002
Corporate Guarantees given as on March 31, 2016	4,315.50	–	2,036.40	–
Corporate Guarantee received as on March 31, 2016	200.00	–	280.00	–

- i) As per the terms of arrangement between Thiru Arooran Sugars Ltd and Terra Energy Ltd., 158,597 MTs (P.Y. 150,321 MTs) of bagasse has been supplied by Thiru Arooran Sugars Ltd., in exchange for 245,642 MTs (P.Y. 235,807 MTs) of Steam and 16,376,124 Units (P.Y. 15,720,491 Units) of Power from Terra Energy Ltd.,
- ii) Sitting fees to Directors excluding service Tax - ₹ 0.12 million (P.Y. ₹ 0.10 million)
33. The Company operates only in one segment viz., Cogeneration of Power & hence there are no reportable segments as per Accounting Standard 17.

NOTES

Forming part of the Financial Statements

(₹ in million)

	Year ended March 31, 2016	Year ended March 31, 2015
34. VALUE OF IMPORTED / INDIGENOUS RAW MATERIAL / SPARES AND COMPONENTS CONSUMED		
1) Raw Materials		
a) Imported	—	—
b) Percentage	—	—
c) Indigenous	44.25	5.69
d) Percentage	100.00%	100.00%
2) Spares and Components		
a) Imported	0.004	—
b) Percentage	0.05%	—
c) Indigenous	7.93	13.46
d) Percentage	99.95%	100.00%
3) Value of Imports Calculated on CIF Basis		
a) Raw Material	—	—
b) Components and Spare Parts	0.19	—
c) Capital items	—	—

	Year ended March 31, 2016	Year ended March 31, 2015
35. EARNINGS PER SHARE		
Profit After Tax as per Statement of Profit & Loss	1.97	3.18
Weighted average number of Equity Shares of ₹ 10/- each outstanding during the year	31,032,917	31,032,917
Earnings per share (Annualised) - Basic and Diluted (₹)	0.06	0.10

36. Previous year figures have been regrouped wherever necessary to conform to current year's classification.

Vide our Report of even date attached

For SNS Associates
Chartered Accountants
Firm Registration No. 006297S

On behalf of the Board



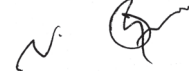
S Nagarajan
Partner
Membership No. 20899
Chennai, June 14, 2016



K Ramesh
Company Secretary



R R Karthikeyan
Chief Financial Officer



V Thirupathi
Director



R V Tyagarajan
Director

CASH FLOW STATEMENT

Forming part of the Financial Statements

(₹ in million)

	Year ended March 31, 2016	Year ended March 31, 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxation	7.57	5.25
Adjustments for		
- Depreciation	27.57	26.84
- Interest expenses	66.84	59.59
- Income from Investments	(0.04)	(0.01)
- Other Income	(33.10)	(36.73)
Operating Profit Before Working Capital Changes (A)	68.84	54.94
Decrease / (Increase) in Current Assets		
- Inventories	6.89	(15.27)
- Receivables	(76.26)	(45.55)
- Loans & Advances	171.07	(200.16)
- Margin deposit for loans	5.32	25.02
Increase / (Decrease) in Current Liabilities	(29.68)	3.78
Increase / (Decrease) in Working Capital (B)	77.34	(232.18)
Cash Generated From Operations (A + B)	146.18	(177.24)
Income Tax Paid	(1.50)	(1.05)
Cash Flow before Extraordinary items	144.68	(178.29)
Extraordinary items	-	-
Net Cash From Operating Activities (C)	144.68	(178.29)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Assets		
- Purchase of Fixed Assets	(20.42)	(4.38)
Interest Received	23.32	26.96
Dividend Received	0.04	0.01
Cash Flow From Investing Activities (D)	2.94	22.59
Net Cash Used in Investment Activities (C + D)	147.62	(155.70)

CASH FLOW STATEMENT

Forming part of the Financial Statements

(₹ in million)

	Year ended March 31, 2016	Year ended March 31, 2015
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Short Term Borrowings-CC	(5.44)	28.67
Proceeds from Long Term Borrowings	–	250.00
Repayment of Long Term Borrowings	(83.60)	(70.05)
Interest paid	(60.25)	(56.01)
Net Cash from Financing activities (E)	(149.29)	152.61
Net Increase in Cash (C + D + E)	(1.67)	(3.09)
Opening Balance	2.66	5.75
Closing Balance	0.99	2.66
Reconciliation of Cash & Cash Equivalents with the Balance Sheet		
Cash & Cash Equivalents shown in Balance Sheet	0.99	7.98
Less : Margin Deposit not considered as Cash and Cash equivalents as defined in AS-3	–	5.32
Cash as per Cash Flow - Closing Balance	0.99	2.66

Note 1. Figures in brackets represent outflows.

2. Previous year figures have been regrouped to conform to current year's grouping.

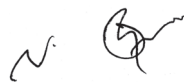
On behalf of the Board



K Ramesh
Company Secretary



R R Karthikeyan
Chief Financial Officer



V Thirupathi
Director



R V Tyagarajan
Director

Auditors' Certificate

This is the Cash Flow statement referred to in our report of even date attached.

For SNS Associates
Chartered Accountants
Firm Registration No. 006297S



S Nagarajan,
Partner

Membership No. 20899
Chennai, June 14, 2016

TERRA ENERGY LIMITED

CIN:U40105TN1995PLC030420

Regd. Office: "Eldorado" - 5th Floor 112, Nungambakkam High Road, Chennai - 600 034

Phone: 044 - 28276001, 28270915, Fax: 044-28270470

Form No. MGT - 11

PROXY FORM

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member(s) :

Registered Address :

E-mail ID :

Folio No./Client ID, DPID :

I/We, being the Member(s) of shares of Terra Energy Ltd, hereby appoint.

1. Name Address

E-mail ID Signature or failing him/ her

2. Name Address

E-mail ID Signature or failing him/ her

3. Name Address

E-mail ID Signature

as my / our proxy to attend and vote (on a poll) for me / us and on my / our behalf at the 20th Annual General Meeting of the Company to be held at 9.30 A.M. on Friday, September 30, 2016 at the Obul Reddy Hall , "Vani Mahal", 103 G.N. Chetty Road, T. Nagar, Chennai - 600 017 and at any adjournment thereof, in respect of such resolutions as are indicated below:

Resolution No.	Resolution
	Ordinary Business
1	Adoption of Financial Statements for the year ended March 31, 2016 along with the Reports of the Board of Directors and Auditors
2	Reappointment of Mr R V Tyagarajan (DIN 02266945)
3	Ratification of the appointment of Auditors and fixing their remuneration.

Signed this _____ day of _____ 2016

Signature of the Shareholder _____

Signature of the Proxy holder(s) _____

Affix
Revenue
stamp

Note : 1. This Form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

2. Please complete all details of member(s) before submission.

