

Terra Energy Limited

Annual Report 2013 - 14

Terra Energy Limited

Board of **Directors**

Mr R V Tyagarajan
Managing Director

Mr V Thirupathi

Mrs Malathi Ram Tyagarajan

Company Secretary

Mr K Ramesh

Audit Committee

Mr V Thirupathi
Chairman

Mr R V Tyagarajan

Mrs Malathi Ram Tyagarajan

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

Dear Shareholders,

Your Directors present the 18th Annual Report on the working of the Company for the year ended March 31,2014.

Financial Results

(₹ in lakhs)

	2013-14	2012-13
Profit before Interest & Depreciation	1,614.81	1,868.64
Less: Interest and Finance Charges	633.61	590.16
- Depreciation	916.89	897.72
Profit before Tax	64.31	380.76
Less : Provision for Taxation		
- Current Tax	13.00	81.83
- Deferred Tax (Net)	(1.38)	124.54
Profit after Tax	52.69	174.39
Add : Surplus from previous year	1,739.69	1,565.30
Profit available for appropriation	1,792.38	1,739.69
Balance carried to Balance Sheet	1,792.38	1,739.69

Dividend

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

Operations

During the year under report, the cogeneration plants at Tirumandankudi and A.Chittur together generated 60.95 million units of power, of which 25.90 million units were exported to the State Grid fetching gross revenue of Rs.140.11 million.

Directors

Pursuant to Section 149 and other applicable provisions of the Companies Act, 2013, Mr V Thirupathi, Director, who retires by rotation at the ensuing Annual General Meeting is proposed to be appointed as Independent Director, not liable to retire by rotation for a period of three consecutive years from the conclusion of the forthcoming Annual General Meeting.

Directors' Responsibility Statement

As required under Section 217 (2AA) of the Companies Act, 1956, the Directors confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) 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 view of the state of affairs of the Company at the end of the financial year and of the Profit of the Company for that year;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) the Directors have prepared the annual accounts on a going concern basis.

Auditors

The Statutory Auditors, M/s S.N.S. Associates, Chartered Accountants, Chennai, retire at the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

The Board, on the recommendation of the Audit Committee, has proposed that M/s. S.N.S. Associates, Chartered Accountants, Chennai, be appointed as Statutory Auditors of the Company for a period of three years at the ensuing Annual General Meeting of the Company. M/s S.N.S. Associates, Chartered Accountants have conveyed their willingness for their appointment has Statutory Auditors of the Company and have provided

the requisite certificates as per Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditor) Rules, 2014.

Cost Auditor

Pursuant to the directives of the Central Government under Section 233B of the Companies Act, 1956, M/s. Vaasan Co., Cost Accountants have been appointed to conduct cost audit relating to generation of electricity for the year ended March 31, 2014.

The Cost Audit Report relating to generation of electricity for the year ended March 31, 2013 was filed by the Cost Auditor on September 28, 2013, well within the stipulated deadline of September 30, 2013

Statutory Information

Particulars of Employees' Remuneration:

Section 217(2-A) of the Companies Act, 1956

The Company does not have any employee drawing remuneration warranting disclosure under Companies (Particulars of Employees) Rules, 1975.

Conservation of Energy and Technology Absorption

The information required as per 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given in the Annexure forming part of this report.

Acknowledgement

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

On behalf of the Board



R V Tyagarajan
Managing Director
August 30, 2014

Annexure to the Directors' Report

Information under Section 217(1)(e) of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A) Technology Absorption

Research & Development (R & D):

1) **Specific areas in which R&D is carried out by the Company:**

Bringing down consumption of steam and power.

2) **Benefits derived as a result of the above R & D:**

Increase in quantum of net exportable power.

3) **Future Plan of Action:**

To improve the Thermal efficiency of the Power Plants.

4) Expenditure on R & D

Capital : Nil

Recurring : Nil

Total R & D Expenditure
(as % of turnover) : Nil

5) Technology Absorption,

Adoption and Innovation : Nil

B) Foreign Exchange Earnings and Outgo:

The information in this regard is provided in Note No.33 of Financial Statements.

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of TERRA ENERGY LIMITED, which comprise the Balance Sheet as at 31st March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the 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 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. An Audit also includes evaluating the appropriateness of the accounting estimates made by the 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 aforesaid financial

statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014.
- (b) In the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Emphasis of Matter

We draw attention to Note No.27 relating to accounting of interest on amounts 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 the matter.

Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government in terms of section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

As required by Section 227(3) of the Companies Act, 1956, we report that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) 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.
- iii) The Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
- v) On the basis of written representations received from the Directors as at 31st March 2014 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31st March 2014 from being appointed as a Director in terms of Section 274(1)(g) of the Companies Act, 1956.

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



S Nagarajan
Partner

Membership No. 20899
Chennai, May 9, 2014

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in our report of even date)

As required by the Companies (Auditors' Report) Order 2003, as amended by the Companies (Auditors' Report) Order 2004, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we report that:

- (i) (a) The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets.
- (b) The Fixed Assets of the Company have been physically verified during the year by the Management and no material discrepancies between the book records and the physical inventory have been noticed.
- (c) There has been no sale of fixed assets during the year.
- (ii) (a) The inventories of the Company at all its locations have been physically verified by the Management during the year.
- (b) In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventories and the discrepancies between the physical inventories and book records which have been properly dealt with in the books of account were not material.
- (iii) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business for the purchase of inventories, fixed assets and for the sale of goods. Further on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid system of internal control.
- (v) (a) In our opinion, the transactions that need to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered.

(b) In our opinion, the aforesaid transactions have been made at prices which are reasonable having regard to the prevailing market price. However in the absence of market price, the steam supplied to the holding Company, Thiru Arooran Sugars Limited has been accounted for at cost.

- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company's present internal audit system is commensurate with its size and nature of its business.
- (viii) On the basis of records produced, we are of the opinion, that prima facie, the cost records and accounts prescribed by the Government of India under Section 209(1)(d) of the Companies Act, 1956 have been maintained. However, we are not required to and have not carried out any detailed examination of such accounts and records.
- (ix) (a) The Company has been regular in depositing undisputed statutory dues including Provident Fund, Sales tax, Wealth tax, Service tax, Customs Duty, Excise Duty, Cess and other statutory dues with the appropriate authorities. The provisions of Employees State Insurance Act are not applicable to the Company.
- (b) At the end of the financial year, there were no dues of sales tax, income tax, wealth tax, customs duty, excise duty, and cess which have not been deposited on account of any dispute except as follows:

Name of the Statute	Nature of the dues	Amount Rs.	Forum where the dispute is pending
Income Tax Act, 1961	Penalty	4,00,00,000	Hon'ble High Court of Madras
Tamil Nadu General Sales Tax Act	Interest on Sales Tax	9,355	On remand with Commercial Tax Officer
Tamil Nadu Tax on Consumption or Sale of Electricity Act, 2003	Generation Tax on power sold through Power Trading Corporation	2,39,33,745	Hon'ble High Court of Madras
Tamil Nadu Tax on Consumption or Sale of Electricity Act, 2003	Generation Tax on power consumed for sugar operations	5,62,12,674	Supreme Court of India
Customs Act, 1961	Customs duty and penalty on coal imports	60,60,434	Appeal yet to be filed with CESTAT as the time limit for filing is not yet over

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| <p>(x) The Company does not have any accumulated losses at the end of the financial year nor had it incurred cash losses both in the financial year under report and in the immediately preceding financial year.</p> <p>(xi) According to the records produced, the Company has not defaulted in the repayment of its dues to any financial institution or bank during the year.</p> <p>(xii) The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>(xiii) In our opinion, the terms and conditions in respect of guarantees given by the Company for loans taken by the Holding Company, Thiru Arooran Sugars Limited, are not prima facie prejudicial to the interests of the Company.</p> <p>(xiv) On the basis of review of utilisation of funds on an overall basis, in our opinion, the Term Loans taken by the Company were applied for the purposes for which the loans were obtained.</p> | <p>(xv) On the basis of review of utilization of funds on an overall basis, the funds raised on short term basis have not been used for long term investment or vice versa during the year.</p> <p>(xvi) The Company has not made any preferential allotment of shares to parities and/or companies covered in the register maintained under Section 301 of the Companies Act, 1956.</p> <p>(xvii) The Company has not issued any debentures.</p> <p>(xviii) During the course of examination of the books of account carried out in accordance with generally accepted auditing practices in India, we have not come across any instance of fraud on or by the Company nor have we been informed by the management of such instance being noticed or reported during the year.</p> <p>(xix) Clauses (xiii), (xiv) and (xx) of the aforesaid Order are not applicable to the Company.</p> |
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For S N S Associates,
Chartered Accountants,
Firm Registration No. 006297S



S Nagarajan
Partner

Membership No. 20899
Chennai, May 9, 2014

BALANCE SHEET

(₹ in lakhs)

	Note No.	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
1 Shareholders' Funds			
a) Share Capital	2	3,103.29	3,103.29
b) Reserves and Surplus	3	5,090.95	5,038.26
2 Non-Current Liabilities			
a) Long Term Borrowings	4	1,959.00	2,555.56
b) Deferred Tax Liability (Net)	5	844.97	846.35
c) Long Term Provisions	6	10.11	9.29
3 Current Liabilities			
a) Short Term Borrowings	7	664.39	756.83
b) Trade Payables	8	1,161.61	1,572.35
c) Other Current Liabilities	9	2,617.14	3,464.21
d) Short Term Provisions	10	10.60	49.24
TOTAL EQUITY AND LIABILITIES		15,462.06	17,395.38
ASSETS			
Non-Current Assets			
1 a) Fixed Assets			
i) Tangible Assets	11	7,166.53	8,065.85
ii) Intangible Assets		2.78	–
iii) Capital Work-in-progress		261.54	207.02
b) Non Current Investments	12	1.17	1.17
c) Long Term Loans and Advances	13	1,171.42	2,489.09
2 Current Assets			
a) Inventories	14	687.04	628.48
b) Trade Receivables	15	4,461.24	4,621.23
c) Cash and cash equivalents	16	360.92	188.69
d) Short Term Loans and Advances	17	534.97	487.83
e) Other Current Assets	18	814.45	706.02
TOTAL		15,462.06	17,395.38
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

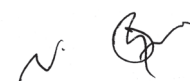


S Nagarajan
Partner
Membership No. 20899
Chennai, May 9, 2014

On behalf of the Board



K Ramesh
Company Secretary



V Thirupathi
Director



R V Tyagarajan
Managing Director

STATEMENT OF PROFIT AND LOSS

(₹ in lakhs)

	Note No.	For the Year ended March 31, 2014	For the Year ended March 31, 2013
CONTINUING OPERATIONS			
I. Revenue from Operations	19	2,293.53	3,341.58
II. Other Income	20	370.94	453.14
III. Total Revenue (I + II)		2,664.47	3,794.72
IV. Expenses:			
Cost of Materials consumed	21	320.79	888.15
Employee Benefits Expense	22	190.92	274.77
Finance Cost	23	633.61	590.16
Depreciation and Amortization Expense		916.89	897.72
Other Expenses	24	537.95	763.16
Total Expenses		2,600.16	3,413.96
V. Profit Before Tax (III - IV)		64.31	380.76
VI. Tax Expense:			
1) Current Tax		13.00	81.83
2) Deferred Tax		(1.38)	124.54
VII. Profit After Tax from Continuing Operations (V - VI)		52.69	174.39
VIII. Earnings per equity share: in Rs.			
1) Basic & Diluted - Refer Note no. 35		0.17	0.56
See accompanying Notes forming part of the Financial Statements			

Vide our Report of even date attached

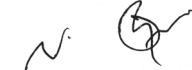
For SNS Associates
Chartered Accountants
Firm Registration No. 006297S



S Nagarajan
Partner
Membership No. 20899
Chennai, May 9, 2014



K Ramesh
Company Secretary



V Thirupathi
Director



R V Tyagarajan
Managing Director

On behalf of the Board

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 at the rates specified in Schedule XIV of the Companies Act, 1956.

c) Investments

Investments are stated at cost.

d) Valuation of Inventories

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

e) Foreign Currency Transactions

i. Transactions denominated in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Any income or expense on account of exchange difference is recognised in the Statement of Profit and Loss.

ii. Derivative transactions are considered as off-Balance Sheet items and Cash flows arising there from are recognized in the Books of Accounts as and when the settlement takes place in accordance with the terms of the respective contracts.

f) Income and Expenditure recognition

Income is recognised and expenditure is accounted for on their accrual. Provision for Gratuity and leave encasement 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 by TANGEDECO.

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 Statement of Profit and Loss 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 Statement of Profit and Loss 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 Statement of Profit and Loss.

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 lakhs)

	As at March 31, 2014	As at March 31, 2013
2. SHARE CAPITAL		
Authorised		
32,000,000 (P.Y.: 32,000,000) Equity Shares of Rs.10/- each	3,200.00	3,200.00
1,800,000 (P.Y.: 1,800,000) Redeemable Preference Shares of Rs.100/-each	1,800.00	1,800.00
	<u>5,000.00</u>	<u>5,000.00</u>
Issued, Subscribed and Paid up		
31,032,917 (P.Y.: 31,032,917) Equity Shares of Rs.10/-each fully paid up	3,103.29	3,103.29
Total	<u>3,103.29</u>	<u>3,103.29</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, 2014		As on March 31, 2013	
	No of shares	Amount	No of shares	Amount
Shares outstanding as on April 1, 2013	31,032,917	3,103.29	31,032,917	3,103.29
Shares outstanding as on March 31, 2014	31,032,917	3,103.29	31,032,917	3,103.29

	As on Mar 31,2014	As on Mar 31,2013
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 the shares issued by the Company:

Name of the share holder	As on March 31, 2014		As on March 31, 2013	
	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 Rs.10/-each. Each holder of the 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 lakhs)

	As at March 31, 2014	As at March 31, 2013
3. RESERVES & SURPLUS		
a) Share Premium Account As per the last Balance Sheet	2,781.82	2,781.82
b) USAID Matching Grant As per the last Balance Sheet	270.00	270.00
c) General Reserve As per the last Balance Sheet	246.75	246.75
d) Surplus		
Opening balance	1,739.69	1,565.30
Add: Net Profit for the year	<u>52.69</u>	<u>174.39</u>
Closing Balance	1,792.38	1,739.69
Total	<u>5,090.95</u>	<u>5,038.26</u>

	As at March 31, 2014	As at March 31, 2013
4. LONG TERM BORROWINGS		
Secured		
i) Term loans		
a) From State Bank of India	2,805.00	–
b) From L&T Infrastructure Finance Company Ltd.	–	1,722.22
ii) Other Loans and Advances		
Tamil Nadu Newsprint and Papers Limited		
a) Interest bearing Loan	–	15.60
b) Interest Free Advances	1,500.00	1,500.00
	4,305.00	3,237.82
Less: Amount due within 12 months disclosed under Other Current Liabilities	2,346.00	682.26
Total	<u>1,959.00</u>	<u>2,555.56</u>

4.1 Term Loans from State Bank of India of Rs.2,805.00 lakhs as detailed below are secured on Fixed Assets excluding movables and Current Assets of the Company.

4.2 Rate of interest and terms of repayment of term loan from State Bank of India is as follows:

Name of the Bank	Amount	Terms of repayment and rate of interest
1. State Bank of India Term Loan	750.00	This loan carries interest at 3.60% above Bank Base rate (Present rate 13.60%) and is repayable in 54 monthly instalment commencing from October 2013.
2. State Bank of India Corporate Loan - I	1,055.00	This loan carries interest at 3.10% above Bank Base rate (Present rate 13.10%) and is repayable in 19 monthly instalment commencing from April 2014.
3. State Bank of India Corporate Loan - II	1,000.00	This loan carries interest at 3.15% above Bank Base rate (Present rate 13.15%) and is repayable in 72 monthly instalment commencing from April 2014.
Total	<u>2,805.00</u>	

4.3 Term Loan of Rs.750.00 lakhs is additionally secured by Corporate Guarantee of the holding company Thiru Arooran Sugars Ltd.

4.4 Corporate Loan of Rs.2,055.00 lakhs are also guaranteed by Chairman and Managing Director.

4.5 Interest free Advance from Tamil Nadu Newsprint and Papers Ltd is Secured by way of residuary charges on the immovable and movable properties of the Company. The said Advance is repayable on completion of fuel supply agreement which is valid till September 30, 2014.

NOTES

Forming part of the Financial Statements

(₹ in lakhs)

	As at March 31, 2014	As at March 31, 2013
5. TAX EFFECTS OF ITEMS CONSTITUTING DEFERRED TAX LIABILITIES (NET)		
On difference between book balance and tax balance of Fixed Assets	1,598.52	1,477.78
Unabsorbed Depreciation and Business Loss	(736.87)	(615.80)
Expenses disallowed u/s 43 B allowable on payment	(16.68)	(15.63)
Total	<u>844.97</u>	<u>846.35</u>
6. LONG TERM PROVISIONS		
Provision for Employee Benefits		
Earned Leave	10.11	9.29
Total	<u>10.11</u>	<u>9.29</u>
7. SHORT TERM BORROWINGS		
Cash Credit	664.39	756.83
Total	<u>664.39</u>	<u>756.83</u>
7.1 Cash Credit is secured by way of hypothecation of Current Assets viz., stocks of raw material, consumables, stores and spares and charge 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 carries interest at 13.10% p.a. Cash credit 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	526.17	700.00
ii) Others	635.44	872.35
Total	<u>1,161.61</u>	<u>1,572.35</u>
9. OTHER CURRENT LIABILITIES		
a) Current maturities of Long Term Debt	2,346.00	682.26
b) Interest accrued but not due on borrowings	29.03	—
c) Other payables:		
i) Statutory dues	0.30	0.57
ii) Others	241.81	2,781.38
Total	<u>2,617.14</u>	<u>3,464.21</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	2.65	2.68
ii) Gratuity	—	18.30
iii) Bonus	0.69	0.98
iv) Salaries and Wages	2.88	25.57
v) Others	4.38	1.71
Total	<u>10.60</u>	<u>49.24</u>

NOTES

Forming part of the Financial Statements

11 FIXED ASSETS

(₹ in lakhs)

Description	Gross Block			Depreciation			Net Block	
	As at April 1, 2013	Additions	Sales / Adjustments	As at March 31, 2014	For the year	Withdrawn during the year	As at March 31, 2014	As at March 31, 2013
a. Tangible Assets								
Land - Freehold	105.57	-	-	105.57	-	-	105.57	105.57
Buildings	875.09	-	-	875.09	29.23	-	488.81	518.04
Plant and Equipment - Owned	17,093.36	17.14	-	17,110.50	884.74	-	6,554.61	7,422.21
Furniture & Fittings and Office Equipments	35.90	0.43	-	36.33	1.81	-	12.38	13.76
Vehicles	49.91	-	-	49.91	1.11	-	5.16	6.27
Total	18,159.83	17.57	-	18,177.40	916.89	-	7,166.53	8,065.85
b. Intangible Assets								
Software	-	2.78	-	2.78	-	-	2.78	-
Total	-	2.78	-	2.78	-	-	2.78	-
Total (a + b)	18,159.83	20.35	-	18,180.18	916.89	-	7,169.31	8,065.85
c. Capital Work In Progress	207.02	74.87	20.35	261.54			261.54	207.02

NOTES

Forming part of the Financial Statements

(₹ in lakhs)

Particulars	As at April 1 2013	Additions during the year	Realised during the year	As at March 31 2014
12. NON-CURRENT INVESTMENTS				
At Cost				
Non-Trade:				
In Equity Shares of the Company - Quoted				
1. 7,200 Equity Shares of Rs.10/- each in Union Bank of India	1.15	–	–	1.15
Non-Trade:				
Investments in companies under the same Management - Unquoted				
2. 58 Equity Shares of Rs.10/- each in Shree Ambika Sugars Limited	0.02	–	–	0.02
Total	1.17	–	–	1.17
Aggregate value of Quoted Investments (P.Y.: Rs. 1.15 lakhs)				1.15
Aggregate Market value of Quoted Investments (P.Y.: Rs.15.69 lakhs)				9.88
	As at March 31, 2014			As at March 31, 2013
13. LONG TERM LOANS AND ADVANCES				
(Unsecured and considered good)				
a) Trade Deposit with Holding Company - Thiru Arooran Sugars Ltd		500.00		2,000.00
b) Security Deposits		33.11		28.36
c) Advances for Capital Goods		89.65		89.65
d) Advance Tax (net of provisions)		548.66		371.08
Total		1,171.42		2,489.09
14. INVENTORIES				
(Valued at lower of Cost or Net realisable value)				
a) Raw Materials		165.71		42.60
b) Stores and Spares		521.33		585.88
Total		687.04		628.48
15. TRADE RECEIVABLES				
(Unsecured and considered good)				
a) Trade Receivables outstanding for a period exceeding six months		3,571.45		3,220.47
b) Other Debts		889.79		1,400.76
Total		4,461.24		4,621.23

NOTES

Forming part of the Financial Statements

(₹ in lakhs)

	As at March 31, 2014	As at March 31, 2013
16. CASH AND CASH EQUIVALENTS		
a) Cash on hand	0.73	1.27
b) Balance with Banks:		
i) In Current Account	39.90	37.72
ii) In Deposit Account	303.38	140.51
iii) In Earmarked Account	16.91	9.19
Total	<u>360.92</u>	<u>188.69</u>
16.1 Bank balance include deposit of Rs.250.38 lakhs (P.Y.: Rs.Nil) which have maturity of more than 12 months.		
16.2 Balance include deposit of Rs.303.38 lakhs (P.Y.: Rs.140.51 lakhs) 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	18.18	18.75
b) Due from Holding Company - Thiru Arooran Sugars Ltd.	9.58	-
c) Others	507.21	469.08
Total	<u>534.97</u>	<u>487.83</u>
18. OTHER CURRENT ASSETS		
a) Interest accrued on Deposits	2.08	25.88
b) Interest accrued on Trade Receivables	737.77	638.97
c) Others	74.60	41.17
Total	<u>814.45</u>	<u>706.02</u>

NOTES

Forming part of the Financial Statements

(₹ in lakhs)

Particulars	For the Year ended March 31, 2014	For the Year ended March 31, 2013
19. REVENUE FROM OPERATIONS		
a) Sale of Products		
Sale of Power	1,401.14	2,430.44
Sale of Bagasse	–	70.33
Sale of Power and Steam to Thiru Arooran Sugars Ltd	863.64	824.77
	<u>2,264.78</u>	<u>3,325.54</u>
b) Other Operating Revenues		
Sundry receipts	28.75	16.04
	<u>28.75</u>	<u>16.04</u>
Total Revenue from Operations	<u>2,293.53</u>	<u>3,341.58</u>
20. OTHER INCOME		
a) Interest Income		
i) Interest from Bank Deposits	14.79	16.87
ii) Interest on deposit with Holding Company	253.37	333.37
iii) Interest on overdue Trade Receivables	98.80	98.80
iv) Others	2.79	2.52
b) Rent receipts	0.42	0.42
c) Dividend Income from Long Term Investments	0.77	0.58
d) Profit on sale of Assets	–	0.58
Total	<u>370.94</u>	<u>453.14</u>
21. COST OF MATERIALS CONSUMED		
Opening Stock	42.60	92.52
Add: Purchases	443.90	838.23
	<u>486.50</u>	<u>930.75</u>
Less: Closing Stock	165.71	42.60
Cost of Materials Consumed	<u>320.79</u>	<u>888.15</u>
Material consumed comprises of:		
Coal	314.82	866.61
Bagasse	–	4.98
Others	5.97	16.56
Total	<u>320.79</u>	<u>888.15</u>
22. EMPLOYEE BENEFITS EXPENSE		
a) Salaries and Wages	175.16	229.71
b) Contribution to Provident and other Funds	8.73	38.46
c) Staff Welfare Expenses	7.03	6.60
Total	<u>190.92</u>	<u>274.77</u>

NOTES

Forming part of the Financial Statements

(₹ in lakhs)

Particulars	For the Year ended March 31, 2014	For the Year ended March 31, 2013
23. FINANCE COST		
a) Interest expense		
i) Term Loan	361.24	346.26
ii) Other Loans	219.12	177.63
b) Other Borrowing costs	53.25	66.27
Total	<u>633.61</u>	<u>590.16</u>
24. OTHER EXPENSES		
Consumption of Stores and Spares	58.80	92.46
Power and Fuel	223.17	182.62
Rent	2.83	2.82
Insurance	15.54	14.31
Rates & Taxes	17.00	16.20
Repairs & Maintenance:		
- Plant & Machinery	118.89	320.05
- Buildings	2.46	5.12
- Others	30.46	29.66
Transport and Handling	3.63	16.60
Audit Fees and Expenses:		
a) For Statutory Audit	1.97	1.92
b) For Taxation matters	0.34	0.28
c) For other Services	1.46	-
d) Reimbursement of expenses	0.08	-
Directors' Sitting Fees	1.46	1.19
Legal & Professional charges	23.99	25.07
Travelling and Conveyance	0.75	1.25
Donations	-	6.29
Printing and Stationery	0.23	0.29
Telephone and Telex	0.21	0.10
Vehicle Maintenance	2.95	6.63
Bank Charges	0.64	8.83
Security Expenses	25.37	24.12
Others	5.72	7.35
Total	<u>537.95</u>	<u>763.16</u>

Details	As at March 31, 2014	As at March 31, 2013
25. CONTINGENT LIABILITIES IN RESPECT OF		
a) Estimated amount of contracts to be executed on Capital Accounts and not provided for net of Advance	233.77	293.84
b) Other Commitments - Purchase order given for items such as raw materials, service etc.	21.44	16.59
c) Disputed Income Tax demand / liabilities not provided for	400.00	400.00
d) Disputed sales tax liabilities not Provided for	0.89	3.87
e) Disputed Customs tax liabilities not provided for	60.60	-
f) Claims against company not acknowledged as debt and not provided for	84.84	5.27
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 Rs.1,210.21 lakhs (P.Y.: Rs.1,210.21 lakhs). The Petition filed by the Company before the Tamil Nadu Electricity Regulatory Commission 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 Rs.98.80 lakhs (P.Y.: Rs.98.80 lakhs) 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 Board Proceedings No.1 dated January 11, 2000 and No.93 dated May 16, 2000, Vide 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. TANGEDCO has filed a Petition before TNERC for determination of the tariff effective April 01, 2010 and pending this exercise, the Company has raised invoices for power exported to TANGEDCO at rates arrived at, having regard to an earlier order of TNERC, determining tariff after its period of expiry under the PPA in the case of another generator. Sale of power includes Rs.623.11 lakhs (P.Y.: Rs.1,103.37 lakhs) representing the excess of the invoiced amount over the tariff rate at which invoices were settled by TANGEDCO prior to March 31, 2010.		
29. Company has filed Appeal before the Supreme Court 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 Rs.603.88 lakhs (P.Y.: Rs.577.90 lakhs). Against this liability, demand has been raised for Rs 266.73 lakhs which includes interest of Rs.71.87 lakhs for sale of power through PTC which has been stayed by the High Court of Madras and demand of Rs.562.12 lakhs (inclusive of interest of Rs.204.49 lakhs) for consumption of power by sugar unit.		
30. The Company has given Corporate Guarantee of Rs.20,364.00 lakhs (P.Y.: Rs.16,164.00 lakhs) to Banks for the Working Capital facilities sanctioned to its Holding company. The total amount outstanding in respect of such loans / facilities as on March 31, 2014 is Rs.19,110.94 lakhs (P.Y.: Rs.9,263.46 lakhs)		

NOTES

Forming part of the Financial Statements

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

1. Defined Contribution Plans

Contribution of Rs.17.34 lakhs 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

(Value ₹ in lakhs)

General description	Gratuity Funded Plan		Leave Encashment Non Funded Plan	
	Year ended 31.03.2014	Year ended 31.03.2013	Year ended 31.03.2014	Year ended 31.03.2013
a) Change in Defined Benefit Obligation				
Present Value - Opening Balance	62.50	50.38	9.30	6.19
Current Service Cost	3.42	3.17	1.11	1.86
Interest Cost	4.62	3.75	0.70	0.52
Actuarial Gain / (Loss)	3.79	12.18	0.02	2.75
Benefits Paid	9.51	6.98	0.98	2.02
Present Value - Closing Balance	57.24	62.50	10.11	9.30
b) Change in fair value of Plan Assets				
Opening Balance	47.38	40.44	–	–
Expected Return	4.66	3.35	–	–
Actuarial Gain / (Loss)	(0.30)	0.62	–	–
Contributions by Employer	18.30	9.95	0.98	2.02
Benefits Paid	9.52	6.98	0.98	2.02
Closing Balance	60.52	47.38	–	–
Actual Return	4.36	3.97	–	–
c) Amount recognised in the Balance Sheet (as at Year end)				
Present Value of Obligations	57.24	62.50	10.11	9.30
Fair Value of Plan Assets	60.52	47.38		
Net assets / (liability) recognised	3.28	(15.12)	10.11	9.30
d) Expenses recognised in the Statement of Profit and Loss				
Current Service cost	3.42	3.17	1.11	1.86
Interest on obligation	4.62	3.75	0.70	0.52
Expected return on plan assets	4.66	3.36		
Net actuarial Gain / (loss)	3.49	11.56	0.02	2.75
Total Included in Employee Cost	(0.11)	15.12	1.79	5.13
e) Principal actuarial Assumptions				
Discount rate (%)	9.00%	8.00%	9.00%	8.00%
Future Salary Increase (%)	4.00%	4.00%	5.00%	5.00%
Rate of Return on plan assets	9.00%	8.00%	–	–
Expected Average remaining working lives of employees (Years)	10.81	12	11.43	13.10
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 Rs.10.00 Lakhs to Gratuity Fund in 2014-15.				

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, Managing Director
- c) Transactions with Holding and Associate Companies

(₹ in lakhs)

	Year ended March 31, 2014		Year ended March 31, 2013	
	Holding Company	Associate Company	Holding Company	Associate Company
Sale of Bagasse	–	–	–	70.32
Sale of Materials	–	0.01	–	–
Purchase of Materials	0.80	–	31.17	–
Interest received on Trade Deposit	253.37	–	333.37	–
Sale of Steam & Power	863.64	–	824.77	–
Closing Balance Credit		101.14	2,307.50	288.01
Closing Balance Debit	9.58	–	–	–
Trade Deposit Outstanding	500.00	–	2,000.00	–
Investments made in :				
Equity shares				
Shree Ambika Sugars Ltd.,				
58 Equity Shares of Rs.10/- each	–	0.02	–	0.02
Corporate Guarantees given as on March 31, 2014	20,364.00	–	16,164.00	–
Corporate Guarantee received as on March 31, 2014	2,800.00	–	6,550.00	–

- i) As per the terms of arrangement between Thiru Arooran Sugars Ltd. and Terra Energy Ltd., 173,093 Mts (P.Y.: 351,386 Mts) of bagasse has been supplied by Thiru Arooran Sugars Ltd., in exchange for 321,585 Mts (P.Y.: 550,547 Mts) of Steam and 21,438,994 Units (P.Y.: 35,383,754 Units) of Power from Terra Energy Ltd.
- ii) No remuneration has been paid to Managing Director
- iii) Sitting fees to Directors excluding Service Tax – Rs.1.30 lakhs (P.Y.: Rs.1.10 lakhs)
33. The Company operates only in one segment viz Co-generation of power & hence there are no reportable segments as per Accounting Standard 17.

NOTES

Forming part of the Financial Statements

(₹ in lakhs)

	Year ended March 31, 2014	Year ended March 31, 2013
34. VALUE OF IMPORTED / INDIGENOUS RAW MATERIAL / SPARES AND COMPONENTS CONSUMED		
1) Raw Materials		
a) Imported	—	—
b) Percentage	—	—
c) Indigenous	320.79	888.15
d) Percentage	100.00%	100.00%
2) Spares and Components		
a) Imported	1.49	8.23
b) Percentage	0.84%	4.01%
c) Indigenous	120.60	196.95
d) Percentage	99.16%	95.99%
3) Value of Imports Calculated on CIF Basis		
a) Raw Material	—	—
b) Components and Spare Parts	—	4.54
c) Capital items	—	—

	Year ended March 31, 2014	Year ended March 31, 2013
35. EARNINGS PER SHARE		
Profit After Tax as per Statement of Profit & Loss	52.69	174.39
Weighted average number of Equity Shares of Rs.10/- each outstanding during the year	31,032,917	31,032,917
Earnings per share (Annualised) - Basic and Diluted (Rs.)	0.17	0.56

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

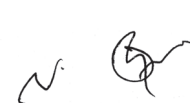


S Nagarajan
Partner
Membership No. 20899
Chennai, May 9, 2014

On behalf of the Board



K Ramesh
Company Secretary



V Thirupathi
Director



R V Tyagarajan
Managing Director

CASH FLOW STATEMENT

Forming part of the Financial Statements

(₹ in lakhs)

	Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Taxation	64.31	380.76
Adjustments for		
- Depreciation	916.89	897.72
- Interest expenses	633.62	590.16
- Loss / (Profit) on sale of Assets / Investments	-	(0.58)
- Income from Investments	(0.77)	(0.58)
- Other Income	(369.75)	(451.98)
Operating Profit Before Working Capital Changes (A)	1,244.30	1,415.50
Decrease / (Increase) in Current Assets		
- Inventories	(58.56)	1,005.52
- Receivables	159.99	(1,437.66)
- Loans & Advances	1,162.10	475.04
- Margin deposit for loans	(162.87)	14.45
Increase / (Decrease) in Current Liabilities	(2,959.38)	898.54
(Increase) / Decrease in Working Capital (B)	(1,858.72)	955.88
Cash generated from Operations (A + B)	(614.42)	2,371.39
Income Tax paid	(13.00)	(81.83)
Cash Flow before Extraordinary items	(627.42)	2,289.56
Net Cash from Operating activities (C)	(627.42)	2,289.56
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Assets		
- Payment to suppliers & Others	(74.87)	(1,223.83)
Interest Received	369.75	451.98
Dividend Received	0.77	0.58
Proceeds from Sale of Assets	-	0.58
Cash flow from Investing activities (D)	295.65	(770.69)
Net Cash used in Investment activities (C + D)	(331.77)	1,518.87

CASH FLOW STATEMENT

Forming part of the Financial Statements

(₹ in lakhs)

	Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Short Term Borrowings	(92.43)	(86.41)
Proceeds from Long Term Borrowings	2,805.00	–
Repayment of Long Term Borrowings	(1,737.82)	(817.73)
Interest paid	(633.62)	(620.23)
Net Cash from Financing activities (E)	341.13	(1,524.37)
Net increase in Cash (C + D + E)	9.36	(5.50)
Opening Balance	48.18	53.68
Closing Balance	57.54	48.18
Reconciliation of Cash & Cash Equivalents with the Balance Sheet		
Cash & Cash Equivalents as per Balance Sheet	360.92	188.69
Less : Margin Deposit not considered as Cash and Cash equivalents as defined in AS-3	303.38	140.51
Cash and Cash Equivalents as per Cash Flow Closing Balance	57.54	48.18

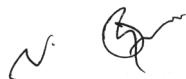
Note 1. Figures in brackets represent outflows.

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

On behalf of the Board



K Ramesh
Company Secretary



V Thirupathi
Director



R V Tyagarajan
Managing 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, May 9, 2014