



Independent Auditors' Report

To the Members of Railway Energy Management Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **Railway Energy Management Company Limited** ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss, and Cash Flow Statement for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the Act) read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013 and in accordance with the accounting principles generally accepted in India.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

Opinion

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

principles generally accepted in India subject to our comments given elsewhere in this report as well as Annexure annexed to our report:

(i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014; and

(ii) in the case of Statement of Profit and Loss, of the Loss for the period ended on that date.

(iii) in the case of the Cash Flow Statement, of the Cash Flows for the period ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

2. Further to our comments in the Annexure referred to in paragraph 1 above, we report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance Sheet, 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, Balance sheet, the Statement of Profit and Loss and Cash Flow Statement comply with Accounting Standards notified under the Act read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;

(e) The provisions of clause (g) of sub section (1) of section 274 of Companies Act 1956 are not applicable to the Company in terms of notification No. GSR 829(E) dated 21.10.2003 issued by Government of India, Department of Company Affairs.

For J K Sarawgi & Company
Chartered Accountants

Firm Registration Number : 006836C

L.S. Khandelwal

(L.S.Khandelwal)
Partner
M.No. 009878

Place: New Delhi
Dated : 18th July'2014

xi) According to the information and explanation provided to us, the Company has not taken any loan hence provision of clause (xi) of paragraph 4 of the order is not applicable.

xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) The provisions of any special statute as specified under paragraph 4 (xiii) of the Order are not applicable to the Company.

xiv) According to the information and explanation given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. However, investment has been made in Fixed Deposit with Scheduled Banks.

xv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial institutions.

xvi) The Company has not taken any term loan during the period under audit.

xvii) On the basis of our examination of the records, the Company has not raised funds on short term basis have been made for long term investments. Capital work in progress aggregating to 29.52 lacs have been incurred by Holding Company on behalf of the Company.

xviii) The Company has not made any preferential allotment of shares during the period under audit to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

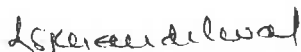
xix) The Company has not issued any debentures during the period under audit.

xx) During the year, the Company has not raised money by way of public issue during the period under audit, hence paragraph 4(xx) of the order is not applicable.

xxi) According to the information and explanations given to us by the management, no material fraud on or by the Company has been noticed or reported during the course of our audit.

For J K Sarawgi & Company
Chartered Accountants

Firm Registration Number: 006836C



(L.S.Khandelwal)

Partner

M.No. 009878

Place: New Delhi

Dated :18th July'2014

RAILWAY ENERGY MANAGEMENT COMPANY LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2014

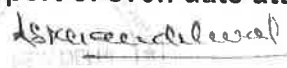
PARTICULARS	NOTE NO.	(Rs. Lacs)
		AS AT 31.03.2014
<u>EQUITY AND LIABILITIES</u>		
SHAREHOLDERS' FUNDS		
Share Capital	2.1.2	1,000.00
Reserves and Surplus	2.2	(23.37)
		976.63
CURRENT LIABILITIES		
Expenses Payable	2.3	38.61
Other Current Liabilities	2.4	62.88
		101.49
TOTAL EQUITY AND LIABILITIES		1,078.12
<u>ASSETS</u>		
NON CURRENT ASSETS		
Fixed Assets		
-Capital Work in Progress	2.5	29.52
Deferred Tax Assets	2.11.5	10.46
Other Non-current Assets	2.6	3.81
		43.79
CURRENT ASSETS		
Cash and Cash Equivalents	2.7	1,000.00
Other Current Assets	2.8	34.33
		1,034.33
TOTAL ASSETS		1,078.12
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FORM AN INTEGRAL PART OF FINANCIAL STATEMENTS	1 & 2	

For and on behalf of the Board


Rajeev Mehrotra
CHAIRMAN


H.K. Bali
DIRECTOR

As per our report of even date attached


L.S. Khandelwal
Partner
Membership No.: 009878
For J K Sarawgi & Company
Chartered Accountants
FRN : 006836C

Dated: 18th July, 2014
Place: New Delhi

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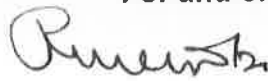
RAILWAY ENERGY MANAGEMENT COMPANY LIMITED

STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE PERIOD FROM 16.8.2013 TO 31.03.2014

(Rs in Lacs)

PARTICULAR	NOTE NO.	PERIOD ENDED 31.03.2014
REVENUE		
Other Income	2.9	38.14
TOTAL REVENUE		38.14
EXPENSES		
Fee for Services Obtained		36.02
Other Expense	2.10	35.95
TOTAL EXPENSES		71.97
PROFIT/(LOSS) BEFORE TAX		(33.83)
Deferred Tax (Net)	2.11.5	(10.46)
PROFIT/(LOSS) AFTER TAX		(23.37)
EARNING PER SHARE (EQUITY SHARE OF Rs.10/- EACH) - BASIC AND DILLUTED	2.11.1	Rs. (0.37)
WEIGHTED AVERAGE NUMBER OF EQUITY SHARES USED IN COMPUTING EARNING PER SHARE	2.11.1	62,46,575

For and on behalf of the Board


Raieev Mehrotra
CHAIRMAN


H.K. Bali
DIRECTOR

As per our report of even date attached


L.S. Khandelwal
Partner

Membership No.: 009878
For J K Sarawgi & Company
Chartered Accountants
FRN : 006836C

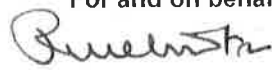
Dated: 18th July, 2014
Place: New Delhi

Railway Energy Management Company Limited
Cash Flow Statement for the Period from 16.8.2013 to 31.03.2014

PARTICULARS	Note No.	(Rs in Lacs) Period ended 31.03.2014
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
LOSS BEFORE TAX		(33.83)
ADJUSTMENTS FOR:		
-INTEREST FROM FDs	2.9	(38.14)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		(71.97)
CHANGE IN WORKING CAPITAL:		
<u>ADJUSTMENTS FOR (INCREASE)/DECREASE IN OPERATING ASSETS:</u>		
-OTHER ASSETS	2.6	(3.81)
<u>ADJUSTMENTS FOR INCREASE/(DECREASE) IN OPERATING LIABILITIES:</u>		
- EXPENSES PAYABLES	2.3	38.61
- OTHER LIABILITIES AND PROVISIONS	2.4	62.88
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>25.71</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
- CAPITAL WORK IN PROGRESS	2.5	(29.52)
- DEPOSITS NOT CONSIDERED AS CASH AND CASH EQUIVALENTS	2.7	(999.00)
- INTEREST ACCRUED NOT CONSIDERED AS CASH AND CASH EQUIVALENTS	2.8	(34.33)
- INTEREST INCOME	2.9	38.14
NET CASH FROM INVESTING ACTIVITIES		<u>(1,024.71)</u>
<u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
- ISSUE OF EQUITY SHARE	2.1.2	1,000.00
NET CASH FROM FINANCING ACTIVITIES		<u>1,000.00</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1.00
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>1.00</u>


RECONCILIATION OF CASH AND CASH EQUIVALENTS		(Rs in Lacs)
PARTICULARS		Period ended 31.03.2014
CASH AND CASH EQUIVALENTS	2.7	1,000.00
LESS :DEPOSITS NOT CONSIDERED AS CASH AND CASH EQUIVALENTS		(999.00)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		<u>1.00</u>

For and on behalf of the Board


Rajeev Mehrotra
CHAIRMAN


H.K. Bali
DIRECTOR

As per our report of even date attached


L.S. Khandelwal
Partner

Membership No.: 009878
For J K Sarawgi & Company
Chartered Accountants
FRN : 006836C

Dated: 18th July, 2014
Place: New Delhi

1.0 SIGNIFICANT ACCOUNTING POLICIES

1.1 GENERAL

Financial statements are prepared under historical cost convention on accrual basis and in conformity with applicable Indian Accounting Standards and provisions of the companies Act, 1956. This is the first year of operation as the date of incorporation is 16.08.2013 and date of commencement of business is 01.10.2013.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses for the period. Actual results could differ from these estimates.

1.2 REVENUE RECOGNITION

1.2.1 Wind Mill Projects

Revenue from sale of power through wind mill projects is recognized on the basis of certificate from concerned State Electricity Authority for energy fed in kwh (units) in authority's system and as per terms and conditions of the contract with beneficiary

1.2.2 Power Trading

Income from sale of electricity is recognized as per the terms and conditions of the Agreement with the beneficiary.

1.2.3 Other Income

Other income is accounted for on accrual basis except claims/ supplementary claims / counter claims/interest on delayed payments / awards in favour of the Company etc., which are accounted for on final settlement / realization. Dividend is recognized when right to receive it is established.

1.3 WORK IN PROGRESS

1.3.1 Work in progress is recognized based on direct costs incurred on the activities which are in progress at end of the year.

1.4 TANGIBLE FIXED AND INTANGIBLE ASSETS

- a) Tangible Fixed Assets are stated at historical cost less accumulated depreciation and impairment losses, if any.
- b) Incidental expenditure during construction period including interest charges incurred upto the date of completion, net of interest recovered on mobilisation advance, are capitalised.
- c) Intangible Assets are recognized at the consideration paid for acquisition less accumulated amortization and impairment losses, if any.
- d) Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

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1.4.1 Depreciation and Amortization

- a) Depreciation and amortization on tangible fixed assets and intangible assets are provided on straight line method over the estimated useful life determined by management. The lives so determined in all cases are not more than those prescribed in the Companies Act, 1956. In respect of additions to/deductions from the assets during the year, depreciation/amortization is charged on pro rata basis.
- b) The useful life and depreciation/amortization rates of the various assets, are as under:-

Assets	Useful Life (Years)	Depreciation/Amortization Rate (%)
Furniture	10	10
Fixture	5	20
Office Equipment	7	14.30
Coolers & Air Conditioners	7	14.30
Air Conditioning Plant	20	5
Computer Hardware	4	25
Survey and Equipments	10	10
Vehicles	6	16.70
Buildings on Freehold land	50	2
Windmill plant	25	4
Intangible Assets	4	25

- c) Lease hold land is amortized over the lease term.
- d) In respect of buildings on lease hold land, depreciation is charged over the period of lease of land or the useful life stated above for buildings on freehold land, whichever is lower.
- e) Any addition or extension, which becomes an integral part of the existing asset, is depreciated over the remaining useful life of that asset.
- f) Individual low cost assets of value less than Rs. 5,000/- and software of value less than Rs. 100,000/- are entirely depreciated/amortized in the year of acquisition.

A nominal value of Re. 1/- is assigned to the fully depreciated assets other than assets specified at (f) above.

1.4.2 Capital/Development Work in Progress

Assets which are not ready for their intended use or under capital/development work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

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1.5 TAXATION

Income taxes are computed using the tax effect accounting method, where taxes are accrued in the same period the related revenue & expenses arise. A provision is made for income tax annually based on the tax liability computed, after considering tax allowances & exemptions.

1.6 DEFERRED TAX

Deferred Tax resulting from "Timing Difference" between book and taxable profits is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is reasonable certainty that assets will be realized in future from the future taxable income.

1.7 PREPAID EXPENSES AND PRIOR PERIOD ADJUSTMENTS

Prepaid expenses and prior period adjustments not exceeding Rs. 50,000/- in each case are treated as expenditure/income of the year.

1.8 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short term balances with an original maturity of three months or less from the date of acquisitions which are readily convertible into known amounts of cash and be subject to an insignificant risk of change in value.

1.9 CASH FLOW STATEMENT

Cash flow statement is made using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, financing and investing activities of the Company are segregated.

1.10 EARNINGS PER SHARE

In determining earnings per share, the company considers the net profit after tax and includes the post tax effect of any extraordinary item. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period.

1.11 IMPAIRMENT OF ASSETS

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value and impairment loss is charged to revenue in the year in which an asset is identified as impaired.

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2.0 NOTES TO ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2014

Figures in financial statements are presented in Rs. lacs, by rounding off upto two decimals except for per share data and as otherwise stated. The company was incorporated on 16.08.2013. This being a initial year of the company, no previous year figures are appearing in the financial statements.

2.1 SHARE CAPITAL

Particulars	Rs. In Lacs	
	As on 31.03.2014	
2.1.1 <u>Authorized Share Capital</u> 5,00,00,000 shares of Rs. 10 each	5,000.00	
2.1.2 <u>Issued, Subscribed and fully Paid-up Capital</u> 1,00,00,000 shares of Rs. 10 each	1,000.00	
2.1.3 <u>Share held by each shareholder more than 5%</u>	<u>No. of Shares</u>	
RITES Ltd. (including 1 share each held by 3 nominees)	51,00,000.00	
Indian Railways (including 1 share each held by 2 nominees)	49,00,000.00	
2.1.4 RIGHTS, PREFERENCES & RESTRICTIONS ATTACHED TO EQUITY SHARE: The company has one class of equity shares having a par value of Rs. 10 each shareholder is eligible for one vote per share held in case poll is demanded by the members in accordance with the provision of Section 179 of the Companies Act, 1956. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the company after distribution of all preferential amounts, in proportion to their shareholders.		

2.2 RESERVE & SURPLUS

Particulars	Rs. In Lacs	
	As on 31.03.2014	
Loss transferred from the Statement of Profit & Loss	(23.37)	

2.3 EXPENSES PAYABLE

Particulars	Rs. In Lacs	
	As on 31.03.2014	
Creditors for services obtained (Holding Company transactions)	38.61	

2.4 OTHER CURRENT LIABILITIES

Particulars	Rs. In Lacs	
	As on 31.03.2014	
Other liabilities	58.94	
Statutory Liabilities	3.77	
Audit Fee including Service Tax	0.17	
TOTAL	62.88	

2.5 CAPITAL WORK IN PROGRESS AS AT 31.03.2014

Description	Addition during the period	Sale/Adj during the period	Rs. In Lacs
			Balance as at 31.03.2014
Capital work in progress	29.52	-	29.52

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2.6 OTHER NON-CURRENT ASSETS

	Rs. In Lacs
Particulars	As on 31.03.2014
TDS on Interest on Fixed Deposits	3.81

2.7 CASH & CASH EQUIVALENTS

	Rs. In Lacs
Particulars	As on 31.03.2014
Balance with scheduled Banks in:	
-Current Accounts	1.00
Others:	
-Fixed Deposits having maturity over 3 months from the date of acquisition and upto 12 months from reporting date	999.00
TOTAL	1000.00

2.8 OTHER CURRENT ASSETS

	Rs. In Lacs
Particulars	As on 31.03.2014
Accrued Interest on Fixed Deposits	34.33

2.9 OTHER INCOME

	Rs. In Lacs
Particulars	Period ended on 31.03.2014
Interest on Fixed Deposits	38.14

2.10 OTHER EXPENSES

	Rs. In Lacs
Particulars	Period ended on 31.03.2014
Preliminary Expenses w/o	34.25
Entertainment Expenses	0.04
Legal Expenses	1.10
Office Expenses	0.12
Travelling Expenses	0.27
Audit Fee	0.17
TOTAL	35.95

2.11 DISCLOSURES AS PER ACCOUNTING STANDARDS

2.11.1 EARNINGS PER SHARE

		Rs. In Lacs
Particulars		As on 31.03.2014
a) Net Profit/Loss for the year attributable to equity shareholders	(Rs.in lacs)	(23.37)
b) Weighted average no. of equity shares		62,46,575
c) Basic and Diluted Earnings Per Share (a/b)	(Rs.)	(0.37)
d) Nominal Value Per Share	(Rs.)	10

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2.11.2 RELATED PARTY DISCLOSURES

Nature of Relationship	Name of Party
Holding Company	RITES Limited
Directors	Shri Rajeev Mehrotra Shri Arbind Kumar Shri H. K. Bali Shri Sudhir Kumar Saxena Shri Vinayak Rao

2.11.3 Managerial Remuneration : Nil

2.11.4 Transactions with holding company during the year

Nature of Transactions	Rs. In Lacs
	As on 31.03.2014
-Fee for services obtained	38.61
-Other Current Liabilities	58.94
-Investment by holding company	510.00
TOTAL	607.55

2.11.5 DEFERRED TAX

Particulars	As on 31.03.2014
Preliminary Expenses	8.47
Loss for the Current Year (As per I.T. Act, 1961)	1.99
TOTAL	10.46

2.11.6 The Company has no employee as all the activities had been carried out by the experts of one of the shareholders on chargeable basis.

2.11.7 SEGMENT REPORTING

This is the first year of the company and the company is in the process of setting up of Wind Mill Plants & finalization of Power Trading agreements, etc. There is no operational income during the period accordingly; no segment accounting is carried out for the period under consideration.

2.12 Expenditure shown in the Statement of Profit & Loss have been incurred by RITES Ltd, a holding company, on behalf of the Company, the same have been debited to appropriate heads by crediting to holding company. However Compliance of TDS has been made by the holding company.

2.13 Liability of Rs. 42.38 lacs for man month expenses has been made being the services taken of the officials of holding company, out of which 15% have been capitalized for windmill project and 85% towards revenue expenses to explore new business avenues for green field renewable energy though no revenue was generated during the period ended 31.03.2014.

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2.11.2 RELATED PARTY DISCLOSURES

Nature of Relationship	Name of Party
Holding Company	RITES Limited
Directors	Shri Rajeev Mehrotra Shri Arbind Kumar Shri H. K. Bali Shri Sudhir Kumar Saxena Shri Vinayak Rao

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