

DIRECTORS' REPORT

The Members

M/s Chhattisgarh Hydro Power (P) Ltd.

Your Directors have great pleasure in presenting the Fifth Annual Report together with Audited Accounts of the Company for the period ended on 31st March, 2010.

PROJECT HIGHLIGHTS

The Company has identified several run of the river scheme hydro power projects in the State of Chhattisgarh. Gullu Small Hydro Electric Project of 24 MW on river IB in Jashpur district of the state has obtained all statutory clearances including In-Principle forest clearance from MOEF, New Delhi & Bhopal. Your directors expect final forest clearance in the current year. The project has obtained sanction for term loan finance from banks and we are in dialogue with the bankers so as to secure better terms. Work for detailed design and engineering of the project is being conducted. Tender documents are currently under preparation. Land acquisition is in progress. Compensation for acquisition of private land has been deposited with District Collector, Jashpur, Chhattisgarh. The distribution of the same to the land owners is in progress. Site mobilisation and construction activities shall commence after obtaining possession of land.

Another 24 MW Rehar-I SHP proposed on river Rehar in Surguja district of Chhattisgarh, has obtained several statutory clearances in the current year. Land demarcation and acquisition work is in progress.

Apart from above, the Company has been allotted four other hydro power projects in the state of Chhattisgarh. Your Company has submitted draft DPR of 24 MW Kotaiveera SHP and 24 MW Mand SHP to CREDA for approval and techno-economic clearance. The Company plans to implement these projects in phase wise manner.

The hydro projects, on completion, will yield benefits of power besides promotion of industries, pisciculture, tourism and irrigation and shall contribute to sustainable economic development.

CLEAN DEVELOPMENT MECHANISM :-

Hydro power projects qualify for funding by UNFCCC and are eligible for CDM benefits. We have appointed consultant to develop the CDM case. Preparation of project design document is in progress.

FINANCE :-

The company has incurred Rs. 3.85 crores upto 31-03-2010 on the projects undertaken which have been funded by the promoters as equity contribution / share application money. During the year under review the company has issued 131160 fresh equity shares of Rs. 10 each at a premium of Rs. 240.00 per share. As a result of fresh issue and transfer of shares, the company has become subsidiary of Sarda Energy & Minerals Ltd., which holds 60.92% equity shares of your company.

DIRECTORS :-

Ms. Sheen Agarwal, Director of the Company, retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

PUBLIC DEPOSITS :-

The company has not accepted any public deposit within the meaning of Section 58 A of the Companies Act, 1956 and the rules made there under during the year under review.

AUDITORS' REPORT :-

The comments in the Auditors' Report read with the relevant notes thereon are self explanatory and therefore, do not call for any further comments under section 217 of the Companies Act, 1956.

AUDITORS :-

M/s O.P. Singhanian & Co., Chartered Accountants [FRN002172C], retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The Board of Directors recommends their reappointment.

PARTICULARS OF EMPLOYEES :-

Statement of Particulars of employees as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is not required to be attached as none of the employees has received remuneration in excess of the specified limits during the year under review.

DIVIDEND :-

Since the company has not yet commenced commercial operation, your Directors do not recommend dividend for the financial year under review.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO :-

Information with respect to Energy Conservation, and Technology absorption, pursuant to Section 217(1)(e) of the Companies Act, 1956 is nil as the Company has not yet commenced production. Foreign exchange earnings and outgo for the year ended on 31st March, 2010 is nil.

DIRECTORS' RESPONSIBILITY STATEMENT :-

In accordance with the requirement of Section 217 (2AA) of the Companies Act, 1956, the Directors of the Company declare 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 and fair view of the state of affairs of the Company at 31st March, 2010.
- (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 annual accounts on a going concern basis.

ACKNOWLEDGEMENT :-

Your Directors express their sincere gratitude to the Company's Stakeholders, Financial Institutions, Bankers, CREDA and various Government authorities and departments for extending their support and co-operation. Your Directors also appreciate the sincere services rendered by all employees of the Company.

For and on behalf of the Board of Directors.

**-Sd/-
KAMAL KISHORE SARDA
DIRECTOR**

**-Sd/-
SHEEN AGARWAL
DIRECTOR**

Date : 03/05/2010

Place : Raipur (C.G.)

OPSinghania & Co.

CHARTERED ACCOUNTANTS
JDS CHAMBERS, 1ST FLOOR, 6-CENTRAL AVENUE,
CHOUBEY COLONY, RAIPUR -492001.(C.G.) INDIA
PHONE: 0771-2253844, 2253845

AUDITORS' REPORT

To
The Members of
CHHATTISGARH HYDRO POWER PRIVATE LIMITED

1. We have audited the attached Balance Sheet of CHHATTISGARH HYDRO POWER PRIVATE LIMITED as at 31st March, 2010. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (As Amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comment above, 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 the books;
 - (iii) The Balance Sheet dealt with by this report is in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) On the basis of written representations received from the directors as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read along with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

in the case of the Balance Sheet, of the state of the affairs of the Company, as at 31st March, 2010.

For O.P.Singhania & Co.
Chartered Accountants

-Sd/-
SANJAY SINGHANIA
Partner
Membership No:76961

Raipur, 3rd May, 2010

Annexure

Re: CHHATTISGARH HYDRO POWER PRIVATE LIMITED

Referred to in paragraph 3 of our report of even date,

- (i) (a) The company has maintained the proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have been physically verified by the management at reasonable interval during the year. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any part of its fixed assets during the year.
- (ii) As explained to us, the Company does not have any inventory, therefore, the provisions of clauses 4(ii)(a), (b) & (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (iii) The company has neither granted nor taken any loans secured or unsecured to/from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Therefore, the provisions of clauses 4(iii) (a) to (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (iv) In our opinion and according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of fixed assets, and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- (v) According to the information & explanations given to us, the company has not entered into any transactions with any of the parties covered in the register maintained under section 301 of the Companies Act, 1956, therefore, the provisions of clause 4(v) (a) to (b) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (vi) In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public during the year, therefore, the provisions of section 58A and 58AA of the Companies Act, 1956 or any other relevant provisions of the Act and the rules framed thereunder, directives issued by the RBI are not applicable to the company.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Central Government has prescribed the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 for the companies which are engaged in the generation of power. According to the information and explanations given to us, the company's power generation project is under construction stage, therefore, the provisions of clause 4(viii) of the Companies (Auditor's Report) Order, 2003 for maintenance of cost records are not applicable to the company during this stage.

- (ix) (a) The company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other material statutory dues with the appropriate authorities. According to the information & explanations given to us, no undisputed amounts payable in respect of statutory dues as stated above were in arrears as at 31st March 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess on the account of any dispute.
- (x) The company has been registered for a period less than five years. Therefore the provisions of clause 4(x) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xi) The company has not taken any loan from financial institutions or banks, therefore, the provision of Clause 4(xi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xii) In our opinion and according to the information and explanations given to us, the company has not granted any loans & advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii)(a) to (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xv) In our opinion and according to the information and explanations given to us, and the representation made by the management, the company has not given any guarantee for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4(xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xvi) The company has not raised any term loan during the year. Therefore, provisions of clause 4(xvi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the company has not made preferential allotment of shares during the year. Therefore, the provisions of clause 4(xviii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

- (xix) According to the information and explanations given to us, the company was neither had debentures outstanding as at opening of the year nor it has issued any debentures during the year covered by our audit report. Therefore, the provisions of clause 4(xix) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xx) The company has not raised any money by public issue during the year, therefore, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit. Therefore, the provisions of clause 4(xxi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.

For O.P.Singhania & Co.
Chartered Accountants

-Sd/-
SANJAY SINGHANIA
Partner
Membership No.76961

Raipur, 3rd May, 2010

CHHATTISGARH HYDRO POWER PRIVATE LTD.

BALANCE SHEET AS AT 31ST MARCH' 2010

	SCHE- DULE	AS AT 31ST MARCH, 2010 Rs.	AS AT 31ST MARCH, 2009 Rs.
SOURCES OF FUNDS			
A. SHAREHOLDERS' FUNDS			
a) Share Capital	A	2104400	792800
b) Share Application Money		0	24990000
c) Reserves & Surplus	B	40755600	9277200
		42860000	35060000
B. LOAN FUNDS			
a) Secured Loans	C	315855	568539
b) Unsecured Loans		0	0
		315855	568539
TOTAL		43175855	35628539
APPLICATION OF FUNDS			
A. FIXED ASSETS			
a) Gross Block	D	4811666	4640266
b) Less:Depreciation		1103989	800844
c) Net Block		3707677	3839422
d) Capital Work in Progress		38540027	31302580
		42247704	35142002
B. INVESTMENTS			
		0	0
C. CURRENT ASSETS, LOANS & ADVANCES			
a) Inventories		0	0
b) Sundry Debtors		0	0
a) Cash & Bank Balances	E	234085	140498
b) Loans & Advances	F	804148	504697
		1038233	645195
Less: CURRENT LIABILITIES & PROVISIONS	G	110082	158658
Net Current Assets		928151	486537
D. MISCELLANEOUS EXPENDITURE			
(to the extent not written off or adjusted)		0	0
TOTAL		43175855	35628539
NOTES TO FINANCIAL STATEMENTS			
	H		

As per our Report of even date

For OPSinghania & Co.

Chartered Accountants,

-Sd/-

SANJAY SINGHANIA

PARTNER

MEMBERSHIP NO.76961

Raipur, 3rd May 2010

For and on behalf of the Board

-Sd/-

KAMAL KISHORE SARDA, Director

-Sd/-

SHEEN AGARWAL, Director

CHHATTISGARH HYDRO POWER PRIVATE LTD.**SCHEDULES FORMING PART OF THE ACCOUNTS**

	AS AT 31ST MARCH,2010 RS.	AS AT 31ST MARCH,2009 RS.
SCHEDULE - A : SHARE CAPITAL		
Authorised		
1000000 Equity Shares of Rs.10/- each	10000000	10000000
	10000000	10000000
Issued, Subscribed & Paid up		
210440 (79280) Equity Shares of Rs.10/- each fully paidup	2104400	792800
	2104400	792800
SCHEDULE - B : RESERVEs & SURPLUS		
<u>Securities Premium Account</u>		
- Balance as per last account	9277200	9277200
- Addition during the year	31478400	0
	40755600	9277200
SCHEDULE - C : SECURED LOAN		
Hire Purchase Finance (Security by way of hypothecation of vehicle)	315855	568539
	315855	568539

CHHATTISGARH HYDRO POWER PRIVATE LTD.**SCHEDULES FORMING PART OF THE ACCOUNTS****SCHEDULE -D :FIXED ASSETS**

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	AS AT 01.04.2009	ADDITION DURING THE YEAR	AS AT 31.03.2010	UPTO 31.03.2009	FOR THE YEAR	UPTO 31.03.2010	AS ON 31.03.2010	AS AT 31.03.2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold Land	2726293.00	0.00	2726293.00	0.00	0.00	0.00	2726293.00	2726293.00
Computer System	591306.84	18200.00	609506.84	437946.00	67627.08	505573.08	103933.76	153360.84
Office Equipment	396344.00	139700.00	536044.00	127413.00	57544.27	184957.27	351086.73	268931.00
Furniture & Fixture	4524.00	13500.00	18024.00	4524.00	2505.86	7029.86	10994.14	0.00
Survey Equipment	54907.00	0.00	54907.00	26611.00	3935.97	30546.97	24360.03	28296.00
Vehicle	865041.00	0.00	865041.00	202500.00	171531.86	374031.86	491009.14	662541.00
Other Assets	1850.00	0.00	1850.00	1850.00	0.00	1850.00	0.00	0.00
Total	4640265.84	171400.00	4811665.84	800844.00	303145.05	1103989.05	3707676.79	3839421.84
Previous Year	1878335.00	2761931.00	4640266.00	455434.00	345410.00	800844.00	3839422.00	1422901.00
Capital Work in Progress								
Project & Pre-operative Expenses	25389640.00	7123247.05	32512887.05	0.00	0.00	0.00	32512887.05	25389640.00
Capital Advance	5912940.00	114200.00	6027140.00	0.00	0.00	0.00	6027140.00	5912940.00
	31302580.00	7237447.05	38540027.05	0.00	0.00	0.00	38540027.05	31302580.00
Previous Year	24422560.00	6880020.00	31302580.00	0.00	0.00	0.00	31302580.00	24422560.00

CHHATTISGARH HYDRO POWER PRIVATE LTD.**SCHEDULES FORMING PART OF THE ACCOUNTS**

	AS AT 31ST MARCH,2010 RS.	AS AT 31ST MARCH,2009 RS.
SCHEDULE - E : CASH & BANK BALANCES		
Cash-in-hand (as certified by the management)	46980	26707
Balance with Schedule Banks in Current Account	187106	113792
	234085	140498
SCHEDULE - F : LOANS & ADVANCES (Unsecured, considered good)		
Advance recoverable in cash or in kind or for value to be received	545725	355470
Advance Tax	5941	30623
Deposit with Govt. & Others	6800	37769
Other Current Assets	245682	80835
	804148	504697
SCHEDULE - G : CURRENT LIABILITIES & PROVISIONS		
<u>Current Liabilites</u>		
Sundry Creditors for Goods, Services & Expenses	0	0
Other Liabilities	110082	126128
	110082	126128
<u>Provisions</u>		
Provision for Fringe Benefit Tax	0	32530
	0	32530
	110082	158658

SCHEDULE 'H'

NOTES TO FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

- i). The financial statements are prepared under the historical cost convention on an accrual basis and on the principles of a going concern.
- ii) Accounting policies not specifically referred to otherwise are being consistently followed and are in accordance with generally accepted accounting principles.

b) Fixed Assets

Fixed assets are stated at cost of acquisition/construction inclusive of freight, duties, taxes and incidental expenses.

c) Capital Work-in-Progress

Expenditure incurred on different projects are being accounted under the head "Capital Work-in-Progress" and the same will be apportioned to specific assets of each project on commissioning of the same.

d) Depreciation and Amortisation

- Depreciation on fixed assets are provided on Written Down Value Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
- Depreciation is provided on pro rata basis from the date on which the asset becomes available for use.
- Assets valuing Rs.5000/- or less and such items (excluding immovable assets) are fully depreciated during the year.

e) Expenditure during Construction

All expenditure incurred during construction/implementation stage of project as shown under the head Project and Pre-operative Expenditure shall be capitalized and shall be added on pro-rata basis to the cost of Fixed Assets (other than Land & leasehold land and other related assets) on commissioning of the Project.

f) Contingent Liabilities

Contingent Liabilities are not provided for and are disclosed in Notes on Accounts.

g) Taxation

Deferred Tax Assets/Liabilities are not recognized as there is no virtual certainty about future profitability.

h) Impairment of Assets

The Company assesses at each balance sheet date whether there is any indication that any asset may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to profit & loss account. If at the balance sheet date there is an indication that previously assessed impairment loss no longer exists, then such loss is reversed and the asset is restated to that effect.

i) Provisions

Provisions are recognised, where the company has any legal or constructive obligation or where reliable estimate can be made for the amount of the obligation and as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2. The company has undertaken the activities of generation and distribution of Hydro Electric Power and has been allotted potential sites for implementation of the projects from appropriate authorities. The expenses incurred for the project has been grouped under the head "Project and Pre-operative Expenditure (Pending allocation)".

3. The payment of Bonus Act, Gratuity Act and Provident Fund Act are not applicable to the Company during the year.
4. The company has not commenced any commercial activities during the year therefore no profit and loss account has been prepared.
5. There is no additional information as required by paragraph 3, 4(c) and 4(d) of Part II of Schedule VI to the Companies Act,1956.
6. The previous figures have been regrouped/rearranged wherever necessary.

As per our Report of even date

For OPSinghania & Co.

Chartered Accountants,

-Sd/-

SANJAY SINGHANIA

PARTNER

MEMBERSHIP NO.76961

Raipur, 3rd May 2010

For and on behalf of the Board

-Sd/-

(KAMAL KISHORE SARDA), Director

-Sd/-

(SHEEN AGARWAL), Director

Additional information as required under Part IV of Schedule VI to the Companies Act, 1956.
Balance Sheet Abstract and Company's General Business Profile

1. Registration Details

Registration No.	017635
State Code	10
Balance Sheet Date	31.03.2010

2. Capital raised during the year (Rs. in thousands)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	1312

3. Position of mobilisation and deployment of funds (Rs. in thousands)

Total Liabilities	43286
Total Assets	43286

..... Sources of Funds (Rs. in thousands)

Paid-up Capital	2104
Reserves & Surplus	40756
Share Application Money	NIL
Secured Loans	316
Unsecured Loans	NIL

..... Application of Funds (Rs. in thousands)

Net Fixed Assets	42248
Investments	NIL
Net Current Assets	928
Miscellaneous Expenditure	NIL
Accumulated Losses	NIL

4. Performance of the Company (Rs. in thousands)

Turnover (Gross Receipts)	NIL
Total Expenditure	NIL
Profit/(Loss) before tax	NIL
Profit/(Loss) after tax	NIL
Earning per Share(Rs.)	NIL
Dividend Rate Including Special Dividend, if any	
-- on Preference Shares	N.A.
-- on Equity Shares	N.A.

5. Generic Name of Principal Products, services of the Company :

Item Code No. (ITC Code)	N.A.
Product Description	N.A.

For and on behalf of the Board

-Sd/-
(KAMAL KISHORE SARDA), Director

-Sd/-
(SHEEN AGARWAL), Director

Raipur, 3rd May 2010