

TD Power Systems (USA) Inc.
a Delaware corporation

Annual Report - 2016

Corporate Information

Corporate office

C/o. MBG Advisors, PO Box 1331
Brunswick
OH 44212
United States of America

Registered office

3500 South Du Pont Highway
City of Dover
County of Kent
Delaware 19901
United States of America

Board of Directors

Mohib N. Khericha
Nikhil Kumar

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TD POWER SYSTEMS USA INC**

Report on the Financial Statements:

We have audited the accompanying financial statements of TD Power Systems USA Inc. ("the Company") which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information for the limited purpose of verifying the compliance with Schedule III required for consolidation.

Management's Responsibility for the Financial Statements:

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

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

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls.



An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

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 of the state of affairs of the Company as at March 31, 2016, and its losses and its cash flows for the year ended on that date for the limited purpose of consolidation.

Emphasis of Matters

We draw attention to the following matter in the Notes to the financial statements:

Note 3 to the Significant accounting policies and other explanatory information which indicates that the company has accumulated losses and its net worth has been fully eroded, the company has incurred net losses amounting to Rs.33,774,761/- and Rs. 14,556,639/- during the current year and previous years respectively. These conditions, along with other matters set forth in the said note, does not indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

For **B.K.RAMADHYANI & CO LLP**
Chartered Accountants
Firm Registration No. 002878S/S200021


R.SATYANARAYANA MURTHI
Partner
Membership No. 024248

Date: May 11, 2016
Place: Bangalore

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Floor, 15th Cross, Malleswaram,
BANGALORE - 560 056.

TD POWER SYSTEMS USA INC
BALANCE SHEET AS AT MARCH 31, 2016

Particulars	Note No	As at 31.03.2016		As at 31.03.2015	
		Rs.	Rs.	Rs.	Rs.
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share Capital	2	48,178,495		48,178,495	
(b) Reserves and Surplus	3	(88,630,898)		(54,856,137)	(6,677,642)
			(40,452,403)		
(2) Non - current liabilities					
(a) Other long term liabilities	4	46,088,000		24,244,000	24,244,000
			46,088,000		
(3) Current Liabilities					
(a) Trade payables	5	25,172,655		20,744,775	
(b) Other current liabilities	6	16,617,500		-	
			41,790,155		20,744,775
TOTAL			<u>47,425,752</u>		<u>38,311,133</u>
II. ASSETS					
(1) Non - current assets					
(a) Fixed Assets					
(i) Tangible assets	7	-		4,375,232	4,375,232
(2) Current Assets					
(a) Trade receivables	8	46,706,197		26,536,385	
(b) Cash and Bank Balance	9	612,106		7,144,231	
(c) Short term loans and advances	10	107,449		255,285	
			47,425,752		33,935,901
TOTAL			<u>47,425,752</u>		<u>38,311,133</u>

Summary of Accounting Policies, other explanatory information & Notes attached form an integral part of 1-16 the Balance Sheet

In Accordance with our Report attached

For and on behalf of Board of Directors

For B.K. RAMADHYANI & CO LLP,
Chartered Accountants
Firm Registration No. 0028785/S200021

Mohib N. Khericha
Mohib N Khericha
Director

R SATYANARAYANA MURTHI
Partner - M.No. 024248

B K RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

Nikhil Kumar
Nikhil Kumar
Director

Place : Bangalore
Date : 11th May 2016

TD POWER SYSTEMS USA INC
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2016

Particulars	Note No	Current Year		Previous Year	
		Rs.	Rs.	Rs.	Rs.
I. Revenue from Operations	<u>11</u>		45,113,842		128,279,964
II. Other Income	<u>12</u>		15,104		469,802
III Total revenue (I + II)			<u>45,128,946</u>		<u>128,749,766</u>
IV Expenses					
Purchases			56,633,335		88,680,930
Employee benefits expense	<u>13</u>		7,109,349		34,441,176
Finance costs	<u>14</u>		1,515,150		597,167
Depreciation and amortization expense	<u>15</u>		238,750		908,638
Other expenses	<u>16</u>		13,407,123		18,678,494
Total Expenses			<u>78,903,707</u>		<u>143,306,405</u>
V Profit/(Loss) before extraordinary items and tax (III-IV)			(33,774,761)		(14,556,639)
VI Profit before tax			(33,774,761)		(14,556,639)
VII Tax expense:					
(1) Current tax			-		-
VIII Profit/(Loss) for the year			(33,774,761)		(14,556,639)

Summary of Accounting Policies, other explanatory information & Notes attached form an integral part 1-16 of the Statement of Profit & Loss

In Accordance with our Report attached

For B.K. RAMADHYANI & CO LLP.
Chartered Accountants
Firm Registration No. 002878S/S200021

R SATYANARAYANA MURPHY
Partner - M.No. 024248

B.K. RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-9, Omrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

Place : Bangalore
Date : 11th May 2016

For and on behalf of Board of Directors

Mohib N. Khericha

Mohib N Khericha
Director

Nikhil Kumar
Nikhil Kumar
Director

TD POWER SYSTEMS USA INC

CASH FLOW STATEMENT

	Current Year - In Rs.	Previous Year - In Rs.
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	(33,774,761)	(14,556,639)
Adjustments for		
Depreciation	238,750	908,638
(Profit) / Loss on sale of Fixed Asset	3,632,608	
Interest Payments	1,515,150	597,167
	5,386,509	1,505,805
Operating profit before Working Capital Changes	(28,388,252)	(13,050,834)
Adjustments for		
Trade Receivables	(20,169,812)	(26,536,385)
Other Receivables	16,765,334	(777,508)
Inventories		
Trade Payables	4,427,881	20,744,775
	1,023,403	(6,569,118)
Net Cash Flow from Operating Activities	(27,364,849)	(19,619,952)
B Cash flow from Investing Activities		
Purchase of Fixed Assets		(650,713)
Sale of Fixed Asset / Purchase of Investments	503,874	
Net Cash used in investing activities	503,874	(650,713)
C Cash flow from financing activities		
Proceeds from issuance of Share Capital	-	-
Long term borrowings	21,844,000	24,244,000
Working Capital borrowings		
Interest Paid	(1,515,150)	(597,167)
Net Cash flow from financing activities	20,328,850	23,646,833
Net increase/decrease in cash and cash equivalents	(6,532,126)	3,376,168
Cash and cash equivalents at the beginning	7,144,231	3,768,063
Cash and cash equivalents at close	612,106	7,144,231
Actual Closing Cash Balance	612,106	7,144,231
Add : Non-Cash Equivalents		
Cash and cash equivalents at Close	612,106	7,144,231

NOTES : Cashflows are reported using the indirect method. Cash and cash equivalents is after adjusting translation gain/loss.

In Accordance with our Report attached

For B.K. RAMADHYANI & CO LLP,
Chartered Accountants
Firm Registration No. 002878S/S200021

R SATYANARAYANA MURTHI
Partner - M.No. 024248

Place : Bangalore
Date : 11th May 2016

BK RAMADHYANI & CO. LLP
CHARTERED ACCOUNTANTS
No. 68, # 4-B, Chaitrapur Bhavan,
8th Main, 15th Cross, Malleswaram,
BANGALORE - 560 055.

For and on behalf of Board of Directors
Mohib N. Khericha
Mohib N Khericha
Director

Nikhil Kumar
Nikhil Kumar
Director

**TD POWER SYSTEMS USA INC.,
NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

2 SHARE CAPITAL

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number-USD	USD	Number-USD	USD
Authorized:				
Equity shares of USD. 10/- each	1,000,000	<u>10,000,000</u>	1,000,000	<u>10,000,000</u>
		<u>10,000,000</u>		<u>10,000,000</u>
Issued, subscribed and fully paid up:				
<i>Equity shares of USD.10/- each</i>	<u>Number-USD</u>	<u>Rs in</u>	<u>Number-USD</u>	<u>Rs in</u>
At the beginning of the Period / year	80,100	48,178,495	80,100	48,178,495
Issued during the Period / year	-	-	-	-
At the close of the Period / year	80,100	<u>48,178,495</u>	80,100	<u>48,178,495</u>
Total		48,178,495		48,178,495

Particulars of equity share holders holding more than 5% of the total paid up equity share capital:	As at 31.03.2016		As at 31.03.2015	
	Percentage	No of shares	Percentage	No of shares
a TD Power Systems Limited (Holding Company)	100%	80,100	100%	80,100



**TD POWER SYSTEMS USA INC.,
SUMMARY OF ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION FOR THE YEAR ENDED MARCH 31, 2016**

1 Significant Accounting Policies.

Basis of preparation of financial statements:

The financial statements of the Company have been prepared under historical cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Companies Act, 2013. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent liabilities as at the date of the financial statements, and the reported amounts of revenue and expenses during the reported period.

Revenue Recognition:

- (a) Sales are recorded based on significant risks and rewards of ownership being transferred in favour of the customer. Sales include goods dispatched to customers by partial shipment.
- (b) Income from erection and project management services is recognized on work done.
- (c) Income from engineering services rendered is recognized at realizable value based on percentage of work completed.
- (d) Liquidated damages in terms of the contract is recognised on crystallization.

Foreign currency transactions:

- a). Foreign currency transactions are translated into Indian rupees at the exchange rate prevailing on the date of the transaction.
- b). Monetary foreign currency assets and liabilities outstanding at the end of the year are restated at the exchange rates prevailing on the reporting date. All exchange differences are accounted for in the profit and loss account.
- c). Non monetary items denominated in foreign currency, are valued at the exchange rate prevailing on the date of transaction.
- d). In respect of overseas branches, which are integral foreign operations, financial statements are translated as if the transactions are those of the Company itself.

Fixed Assets:

Fixed assets are stated at cost of acquisition excluding vatiable duties, inclusive of freight, taxes and incidental expenses relating to the acquisition and finance cost on borrowings utilized for acquisition of qualifying assets less depreciation/impairment. Assets manufactured internally are capitalised at Factory Cost.

Depreciation:

Depreciation on tangible assets is provided with reference to the estimated useful life of the fixed assets less its residual value as prescribed under Schedule II of The Companies Act 2013, or actual useful life of the asset, whichever is lower. Fixed assets costing below Rs. 5,000/- are depreciated fully. Depreciation is charged for complete quarter on addition / deletion.

Impairment of assets:

At each balance sheet date, the management reviews the carrying amount of its asset to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Reversal of impairment loss, if any, is recognised immediately in the statement of profit and loss.

Contingent Liabilities:

Financial effects of contingent liabilities are disclosed based on information available up to the date on which financial statements are approved. However, where a reasonable estimate of financial effect cannot be made, suitable disclosures are made with regard to this fact and the existence and nature of the contingent liability.

1.8 RELATED PARTIES DISCLOSURE:

Sl. No.	Name of the related party	Relationship
1	T D Power Systems Ltd.,	Holding Company
2(a)	DF Power Systems Pvt Ltd.,	Fellow Subsidiary
2(b)	TD Power Systems Japan Ltd.,	
2(c)	TD Power Systems Europe GmbH	

DETAILS OF TRANSACTIONS:

Sl. No.	Nature of transactions	Holding	Enterprises over which key management personnel and their relatives are able to exercise significant influence
1	Proceeds for issue of Shares	-	-
2	Inter-Corporate Loan from	46,088,000	
		(24,244,000)	
3	Interest on Inter-Corporate Loan charged by	1,515,150	
		(597,167)	
4	Sales to	19,319	
		(1,013,284)	
5	Purchases from	33,423,828	
		(26,820,030)	
6	Due to	25,172,655	
		(20,026,164)	

The company's accumulated losses has exceeded its share capital and has eroded its network as at the end of the previous reporting period. However, the company's holding company is authorised by its Board to infuse further funds as and when required and the management has drawn up action plan which would reduce the company's operating costs in the coming years. Based on this, the management is of the opinion that the going concern assumption in preparation of the financial statements is appropriate.

- 1.10 The company does not have any pending litigations which would impact its financial position as on the reporting date.
- 1.11 The company does not have any long term contracts including derivative contracts for which there were any material foreseeable losses.
- 1.12 There are no amounts required to be transferred to the Investor Education and Protection Fund by the Company as on the reporting date.
- 1.13 Previous reporting year figures have been regrouped wherever required in conformity with the presentation for the current reporting year.



**TD POWER SYSTEMS USA INC.,
NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

3 RESERVES AND SURPLUS:

Particulars	As at 31.03.2016	As at 31.03.2015
	Rs	Rs
Surplus i.e. balance in Statement of Profit & Loss		
As at the beginning of the year	(54,856,137)	(40,299,498)
Add:		
Transferred from Statement of Profit and Loss	(33,774,761)	(14,556,639)
As at the end of the year	(88,630,898)	(54,856,137)
Total	(88,630,898)	(54,856,137)



**TD POWER SYSTEMS USA INC.,
NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

4 LONG TERM BORROWINGS

Particulars	As at 31.03.2016	As at 31.03.2015
	Rs.	Rs.
1) Secured Loans:		
a. Loans and advances from Holding Company	46,088,000	24,244,000
	<u>46,088,000</u>	<u>24,244,000</u>



**TD POWER SYSTEMS USA INC.,
NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

Particulars	As at 31.03.2016 Rs.	As at 31.03.2015 Rs.
5 TRADE PAYABLES		
a) Others	25,172,655	20,744,775
	25,172,655	20,744,775
6 OTHER CURRENT LIABILITIES:		
a) Outstanding Liabilities	16,617,500	-
	16,617,500	-



TD POWER SYSTEMS USA INC.
NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

7 FIXED ASSETS

Particulars	GROSS BLOCK (AT COST)		DEPRECIATION		NET BLOCK	
	As at 01.04.2015	Additions for the Period	As at 31.03.2016	For the period	As at 31.03.2016	As at 31.03.2015
Tangible Assets						
Own assets						
Furniture & Fixtures	2,887,291	-	-	68,448	-	2,518,286
Computers	847,918	-	-	73,358	-	417,039
Communication Equipments	1,918,829	-	-	96,944	-	1,439,908
TOTAL	5,654,038	-	5,654,038	238,750	-	4,375,232
Previous Year	5,003,324	650,714	5,654,038	908,638	1,278,806	4,375,232



**TD POWER SYSTEMS USA INC.,
NOTES ON FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

Particulars	As at 31.03.2016	As at 31.03.2015
	Rs.	Rs.
8 TRADE RECEIVABLES:		
a) Trade receivables exceeding six months	-	-
b) others	46,706,197	26,536,385
	46,706,197	26,536,385
9 CASH AND BANK BALANCES:		
a) Cash and cash equivalents:		
a) Balances with banks - on current accounts	612,106	7,144,231
	612,106	7,144,231
10 SHORT TERM LOANS AND ADVANCES:		
a) Others	107,449	0
b) Rent Deposit	-	255,285
	107,449	255,285



**TD POWER SYSTEMS USA INC.,
NOTES ON FINANCIAL STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2016**

Particulars	Current Year	Previous Year
	Rs.	Rs.
11 REVENUE FROM OPERATIONS:		
a) Sale of Goods - AC Generators		38,472,392
b) Sale of services	45,113,842	89,807,572
	<u>45,113,842</u>	<u>128,279,964</u>
12 OTHER INCOME:		
i) Other non operating income (net of expenses directly attributable to such income)	15,104	469,802
	<u>15,104</u>	<u>469,802</u>
Purchases for Projects & EPC Business	56,633,335	88,680,931
13 EMPLOYEE BENEFIT EXPENSES:		
a) Salaries and wages	6,869,509	34,384,472
b) Staff welfare expenses	239,840	56,704
	<u>7,109,349</u>	<u>34,441,176</u>
14 FINANCE COSTS:		
a) Interest expense	1,515,150	597,167
	<u>1,515,150</u>	<u>597,167</u>
15 DEPRECIATION AND AMORTIZATION:		
a) Depreciation	238,750	908,638
	<u>238,750</u>	<u>908,638</u>
16 OTHER EXPENSES:		
a) Rent	2,210,631	2,259,618
b) Repairs and maintenance - Others	-	249,675
c) Insurance	30,014	1,432,245
d) Payment to the auditors - as auditor		
e) Selling expenses	38,811	46,284
h) Loss on sale of fixed asset (net)	3,632,608	
f) Legal and professional charges	3,512,748	2,009,527
g) Travelling and Conveyance	212,248	7,565,390
h) Bank Charges	45,601	7,388
i) Foreign Exchange Fluctuation	2,254,828	1,700,307
j) Postage, Telegrams and Telephones	1,306,222	1,694,046
k) Manufacturing Expenses	28,397	151,887
l) Vehicle Maintenance	-	150,292
m) Advertisement	32,343	779,720
n) Printing & Stationary	68,648	399,309
o) Subscription to Technical Associations, Journals & Magazines	34,024	232,806
	<u>13,407,123</u>	<u>18,678,494</u>

