FINANCIAL RESULTS
OF

MALANA POWER COMPANY LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR
Mr. Ravi Jhunjhunwala

DIRECTORS
Mr. L. N. Jhunjhunwala
Mr. Erik Knive
Dr. Kamal Gupta
Mr. R. P. Goel
Mr. Bidyut Shome
Mr. Lars Ellegard

KEY EXECUTIVES
Mr. O. P. Ajmera, Chief Executive Officer
Mr. V. D. Bhatia, Vice President (Operations)

COMPANY SECRETARY
Mr. Bharat Singh

STATUTORY AUDITORS
M/s. S. R. Batliboi & Co., Gurgaon

INTERNAL AUDITORS
M/s. Ashim & Associates, New Delhi

TECHNICAL CONSULTANTS
M/s. RSW Inc., Canada
M/s. Indo Canadian Consultancy Services Ltd., Noida

BANKERS / FINANCIAL INSTITUTIONS
Punjab & Sind Bank
IDBI Bank Limited
ING Vysya Bank Limited
State Bank of Travancore
Yes Bank Limited
Axis Bank Limited
ICICI Bank Ltd.
State Bank of India
Punjab National Bank
HDFC Bank Limited

CORPORATE OFFICE
Bhilwara Towers
A-12, Sector - 1
Noida - 201 301 (NCR-Delhi)
Phone : 0120 - 4390000 (EPABX)
Fax : 0120 - 4277841
Website : www.malanamodelhep.com

REGISTERED OFFICE & WORKS
Village Chowki, P.O. Jari
Distt. Kullu (H.P.)
Phone : 01902-276074 - 78
Fax : 01902 - 276078
E-mail - mpcljari@sancharnet.in

LIAISON OFFICE
Bhilwara Bhawan
40-41, Community Centre
New Friends Colony
New Delhi - 110 025
Phone : 011-26822997

CHAIRMAN'S SPEECH

Dear Stakeholder,

India has one of the largest electricity generation capacities. The demand is also expected to surge in the coming years with the growth in the economy. Still the Indian Power sector is going through a turbulence phase with generation costs increasing because of higher inputs and financial costs and at the same time inability of the cash strapped distribution companies to absorb the generated power to fulfill the ever growing energy demand from their consumers at increased generation costs. This has resulted in cash shortages in power generation companies

For the power sector, the financial year was really challenging with mounting debts of the state run distribution utilities, hurdles in land acquisition and delays in statutory clearances for the Greenfield projects and tightening project funding despite the best performances on capacity addition during FY2011-12 (20,502 MW) amongst all years till date and XIth Five Year Plan (54,964 MW) amongst all Five Year Plans respectively. There is case being built for much needed power sector reforms, which is likely to boost the power availability to meet the desired economic growth and revive the sagging confidence of the investors in the sector.

The mounting debts of the distribution utilities had resulted in their limited presence in the higher end segment of the short term energy market thus having a downward effect on the merchant power prices. With the commitments to take up reforms in the Power Sector and recent steps in that direction, it is hoped that there will be significant improvement in Power Sector scenario. This should lead to revival of investors' interest in the Power Sector. Going forward, with improvements in financial situation of utilities, the power prices in the short term markets should strengthen.

This financial year saw a few milestone achievements by your company and its subsidiaries. The generation of 86MW Malana HEP has increased by 12.68 percent due to better hydrology, which is the best hydrology observed in the last 11 years of operations. After the successful commissioning of Allain side of the 192MW AD Hydro Electric Project last year, the Duhangan side was also completed and operationalized on 28th February, 2012. Since then, the operations of the ADHEP are running smoothly at full capacity.

On behalf of the Board of Directors, I would like to express our sincere gratitude to the Ministry of Power, Government of India; Central Electricity Authority, Government of Himachal Pradesh, other government agencies, PTC India Limited, lenders, commercial banks, financial institutions, investors, joint venture partners for their unending support. I would also take this opportunity to thank our employees and business associates, who have been the pillar of strength for the Company.

With Best Regards

Ravi Jhunjhunwala
Chairman

TO THE MEMBERS

MALANA POWER COMPANY LIMITED

The Directors of the Company are pleased to present their fourteenth Annual Report on the business and operations of the Company and Audited Statement of accounts for the year ended 31st March, 2012 together with the Auditors' Report.

1. FINANCIAL PERFORMANCE

(₹ in million)

Particulars	For the Year ended 31.03.2012	For the year ended 31.03.2011
TOTAL TURNOVER	**1,089.703**	1,431.151
Less : Discount on prompt payments / Unscheduled interchange charges	**15.393**	39.555
Net Sales	**1,074.310**	1,391.596
Other Income	**29.457**	239.489
Total Income	**1,103.767**	1,631.085
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX	**900.576**	1,039.649
Interest	**399.006**	298.968
PROFIT BEFORE DEPRECIATION AND TAX	**501.570**	740.681
Depreciation	**199.228**	198.658
Profit Before Tax and Prior Period items	**302.342**	542.023
Prior Period Expenses (Travelling Expenses)	**3.433**	1.722
PROFIT BEFORE TAX	**298.909**	540.301
Provision for Tax		
– Current Tax	**59.805**	107.682
– Deferred Tax Charge/ (Credit)	**(6.960)**	(0.595)
NET PROFIT AFTER DEPRECIATION, INTEREST AND TAX (PAT)	**246.064**	433.214
Balance brought forward from previous year	**4,357.587**	3,918.817
AMOUNT AVAILABLE FOR APPROPRIATION	**4,603.651**	4,352.031
APPROPRIATION Transfer from debenture redemption reserves	**5.556**	5.556
Total	**5.556**	5.556
Surplus carried to Balance Sheet	**4,609.207**	4,357.587
Basic and diluted Earning Per Share (EPS), (In ₹)	**1.67**	2.94

2. OPERATIONAL PERFORMANCE

During FY2011-12, the plant availability had been 99.9 per cent. The generation during the period under view, stood at 376.18 million units as compared to 333.86 million units in the previous financial year. The generation increased by 12.68 percent due to better hydrology,

The operation data for the year is as given below:

(in million units)

S. No.	Particulars	2011 -12	2010-11
1.	Total Generation	**376.178**	333.864
2.	Less: Auxiliary Transmission Loss	**3.70**	5.451
3.	Less: Royalty/Wheeling to Govt. HPSEB	**68.535**	60.633
4.	Less: Impact of Unscheduled Interchange Energy	**11.76**	6.308
5.	Total Units sold	**292.183**	261.472

Your Company had also used the WMO Benchmarking Tool, which is a tool devised by PA Consultants of Norway for the comparison of the cost performances of the various Hydro Power Plants under operation with SN Power and its partners at various locations in the world. This benchmarking is based on unique KPIs, (key Performance Indicators), where costs are measured against an assets – equivalent representation.

The WMO benchmarking revealed that the operations and maintenance cost/WMO of Malana HEP is among the lower ones when compared amongst the WMO benchmarking participants.

3. SUBSIDIARY COMPANY

The AD Hydro Power Ltd, a subsidiary of your Company, is engaged in running 192 MW hydro electric project in the state of Himachal Pradesh. As reported last year, the Allain side of the project started generating power from July, 2010. During FY2011-12, the Duhangan side was also completed and operationalized on 29th February, 2012.

The Annual Report for the financial year 2011-12 and Accounts for the year ended on 31st March, 2012, as required under Section 212 of the Companies Act, 1956 of the said subsidiary company, is attached.

4. NEW PROJECTS

Bara Banghal HEP

Your Company was allotted 200 MW Bara Banghal HEP on River Ravi in Indus Basin located in District Chamba in Himachal Pradesh on 28th April, 2008. However in view of some part of project falling under Dhauladhar Wild Life Sanctuary (DWLS), the implementation of this project was subject to de notification of the project area falling into the Wild Life Sanctuary. Though we had already started the process of de- notification, yet realizing that this process would take longer time, a study was carried out to implement the project in two stages. In the first stage the project would be developed outside the Dhauladhar Wild Life Sanctuary (DWLS) with the capacity of 92 MW. Thereafter as and when the project area which falls under DWLS is de-notified, the second stage of the project would be undertaken for implementation. Accordingly the Company approached to the State Govt of Himachal Pradesh to develop the project in two phases, which has since been approved by the State Government.

Chango Yangthang HEP

The Company has entered into an Implementation Agreement (IA) as well as Quadripartite Agreement(QA) with the Govt. of Himachal Pradesh for the implementation of 140 MW Chango Yangthang Hydro Power Limited in Himachal Pradesh. However subsequently capacity of this project got increased to 180 MW.The project has since been transferred to the SPV (Chango Yangthang Hydro Power Limited), which shall be implementing the project.

5. THE FUTURE OUTLOOK

The XIth Five Year Plan, which concluded in March 2012, witnessed capacity addition of 54,964MW (against 21,180MW in Xth Five Year Plan of 2002-2007). This falls short of original target of 78,600 MW set at the beginning of the Plan and also the revised target of 62,274MW, set during the midterm appraisal of the Plan. With this capacity addition, the power shortages, peak as well as energy, have come down marginally.

The capacity addition is likely to peak in the years FY2012-13 and FY2013-14, because of the commissioning of those projects : which were due for commissioning in XIth Plan and have been delayed on account of diverse factors and; which are in advance stages of commissioning in early XIIth Plan.

More than 84% of these capacity additions in XIIth Plan will be coal based, which will require strategy for sourcing of additional coal for fuel. Indian power generators are increasingly resorting to coal imports as domestic production of the fuel has not been enough to meet their requirements. During 2011-12, the power sector accounted for about 45 per cent of the country's total coal imports, which stood at 98.93 million tonnes (MT). In a scenario like this , with high levels of coal prices internationally and restricted availability of domestic coal on cost plus basis, coal based power plants are not likely to generate energy at competitive cost. hydro power sector would be more competitive in terms of tarif.

The average prices in short term markets have reduced from a high of ₹ 7/+ in FY2008-09 to less than ₹ 4/-. The demand for energy is growing, but the appetite of the state distribution utilities (discoms) is decreasing. This is due to the poor financial health of these discoms. The accumulated losses of the discoms has crossed ₹ 2 trillion in March, 2012. The reasons behind the financial distress of discoms are : inadequate escalation in tariffs, technical losses due to inefficient equipment, commercial losses due to power theft and the state governments' failure to pay subsidy. These issues have been prevalent for a while and are being addressed. Steps like : substantial upward revisions in consumer tariffs, have already been initiated. These steps are likely to improve the purchasing power of discoms and increase their participation in the energy markets. This will have a positive impact on the on-going power tariff.

The new transmission pricing regime based on point of connection (PoC), will open the gates for consumers from other sources and hydro power projects in Northern region will be able to access new markets. The transmission charges will not be sensitive to distance and will be based on load flows on account of injection or withdrawal of power. As a seller of power in short term, your Company will be competitive in markets other than its traditional markets.

Thus the outlook for the next financial year is likely to be cautiously optimistic.

6. DIVIDEND

Keeping in view the financial commitment of the Company, your Directors' do not propose any dividend for the financial year under review.

7. REDEMPTION OF DEBENTURES

During the financial year 2011-2012, debentures amounting to ₹ 22.22 million have been redeemed.

8. PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year under reporting.

9. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Information required to be disclosed under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 has been given in the Annexure I, forming part of this Report.

10. PARTICULARS OF EMPLOYEES:

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure-II to the Directors' Report.

11. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

11.1 INTERNAL CONTROL SYSTEMS

The Company has a proper and adequate internal control system for all its activities to ensure compliance with policies, procedures, applicable Acts and Rules, including safeguarding and protecting its assets against any loss from its unauthorized use of disposition. All transaction are properly documented, authorized, recorded and reported correctly. The Company has well defined Management Reports on key performance indicators. The systems are reviewed continuously and its improvement and effectiveness is enhanced based on the reports from various fields. The Audit Committee also reviews the adequacy of Internal Control Systems.

The Company's Internal Control Systems are supplemented by Internal Audit covering all financial and operating functions.

11.2 INTERNAL AUDIT

Internal Audit at MPCL is an independent, objective and assurance function conscientious for evaluating and improving the effectiveness of risk management, Control, and governance processes. The function prepares annual audit plans based on risk management and conducts extensive reviews covering financial, operational and compliance controls and risk mitigation. Internal audit plans cover matters identified in risk management assessments as well as issues highlighted by the Board, the Audit Committee and senior management. The areas requiring specialized knowledge are reviewed in partnership with external experts.

Internal Audit is conducted across all locations and of all functions by firms of Chartered Accountants, who verify and report on the functioning and effectiveness of internal controls. The Internal Audit reports the progress in implementation of recommendations contained in such reports. Internal audit reports are submitted along with the Management's response to the Audit Committee. The Audit Committee of the Board, monitors performance of Internal Audit on time-to-time basis through review of the internal audit plans, audit findings & swiftness of issue resolution through follow ups.

12. DIRECTORS'

Mr. Erik Knive and Mr. Lars Ellegard were appointed as additional directors of the Company with effect from 1st March, 2012 and 30th August, 2012 respectively until the conclusion of the next annual general meeting. The Board recommends the appointments of Mr. Erik Knive and Mr. Lars Ellegard on the Board of the Company.

In accordance with the provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Mr. L. N. Jhunjhunwala and Mr.Bidyut Shome, Directors of the Company, are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment at the ensuing Annual General Meeting. The aforesaid reappointments/appointments are subject to the approval of the Members' and the necessary resolutions have been incorporated in the notice of the Annual General Meeting.

Mr. Tor Inge Stokke was appointed as additional directors of the Company with effect from 30th September, 2011 until the conclusion of the next annual general meeting. However he subsequently resigned on 30th August 2012.

During the year, Mr. Knut Reed also resigned from the Board of Directors of the Company on 1st March, 2012. The Board of Directors wishes to place on record their appreciation towards the contribution made by Mr. Knut Reed and Mr. Tor Inge Stokke during their tenure as Directors' of the Company.

13. AUDIT COMMITTEE

During the year, the Audit Committee met two times to review Company's financial results, Internal Control Systems, Risk Management Policies and Internal Audit Reports.

During the year, the Audit Committee was reconstituted. As on date, the Members of the Audit Committee are: Mr. Ravi Jhunjhunwala, Dr. Kamal Gupta and Mr. Erik Knive. The proceedings of the Committee were in accordance with the provisions of the Companies Act, 1956.

14. DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors' of your company states hereunder:-

i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii) that the accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year 2011-2012.

iii) that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of The Company's Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv) that the annual accounts have been prepared on a going concern basis.

15. AUDITORS

15.1STATUTORY AUDITORS

M/s. S.R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company, will retire from their office at the ensuing Annual General Meeting. They are, however, eligible for re-appointment. The Company has received consent letter from M/s.S.R. Batliboi & Co., Chartered Accountants, under section 224(1B) of the Companies Act, 1956, for re-appointment as Statutory Auditors of the Company. The Board recommends the re-appointment of

M/s.S.R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company.

15.2COST AUDITORS

Pursuant to Section 233B(2) of the Companies Act, 1956, in terms of the Central Government's approval, the Board of Directors, on the recommendation of the Audit Committee, has appointed M/s.K.G. Goyal & Co., Cost Accountants, as the Cost Auditor of the Company for the year. M/s.K. G. Goyal & Co., has confirmed that their appointment is within the limits of the Section 224(1B) of the Companies Act, 1956 and have certified that they are free from any disqualifications specified under Section 233B(5) read with Section 224 sub section (3) or sub section (4) of Section 226 of the Companies Act, 1956.

AUDITORS' REMARKS

The Auditors' Report read along with Notes to the Accounts is self-explanatory and requires no further comments from the Board.

16. HUMAN RESOURCE DEVELOPMENT

The Company believes in today's evolving competitive business dynamics, employees' are the key differentiators. Our people are core to "What we are" and thus we have built a strong alignment between our organization's vision & values. Our employee partnership ethos reflects the Company's long-standing business principles and drives the company's overall performance. While we have continued to equip employees with the necessary skills and attitude to deliver on their current job responsibilities, the prime focus has been to identify, assess, groom and build leadership potential for future.

The Company has a comprehensive HR Policy Manual. The Human Resources Development intervention has provided opportunity for open interaction, communication and feedback at the power plant.

During the financial year under consideration, the Company had organized interactive workshop for the benefit of all the senior members at Corporate Office and staff members at the site office on 24th August 2011 on Core Values and Code of Conduct, at the Corporate Office and Site Office with the support of Hero Mindmine. These workshops provided guidance to ensure that each individual's behavior is in line with the Company's core values, ethical standards, regulatory framework and business principles.

17. ENVIRONMENT, HEALTH & SAFETY

The Company has excellent compliance records of all statutory requirements applicable to its scope of activities under Health, Safety and Environment management, since the inception of the project. The Company is committed to adopt best international EHS practices in its operating plant and has voluntarily decided to adopt ISO14001 (International standard on environment management) and OHSAS18001 (International standard on management of occupational safety and health) for managing its EHS Aspects. The Company has initiated the process for certification of ISO14001 and OHSAS18001 of Malana EHS Management System. The process of certification is in advanced stage.

The Company has appointed qualified EHS person at the power plant, who shall be responsible for maintaining Environment, Health & Management system.

The Company celebrates 22nd April as World Earth Day by having plantation in local areas. During the Financial Year, the Company has planted 955 trees around the Plant. The disposal of hazardous waste is being done as per approved standard/Norms of Pollution Control Board. The Company has been providing assistance in preparation, fixation and maintenance of environmental awareness boards from Nehru Kund to Rohtang Pass on request from Pollution Control Board-Badah, Kullu. The Company is maintaining local shrubs, which it had planted for rehabilitation of dumping site. The Company regularly distributes plant saplings to local villagers for plantation.

The Company maintains a medical dispensary at Jari with a 24 hour ambulance. The employees are adequately covered under various insurance policies against risk of health and life disasters. Annual health check-ups are carried out for all the employees. The Company also participates in Pulse Polio Programme, organized regularly by Rashtriya Gramin Swasthaya Mission, Himachal Pradesh, at Jar.

The Company is also committed to provide a zero injury workplace to its employees and workers all across its unit. The security of employees is one of the prime concerns of the Management. Consistent efforts have made by the Company to improve safety standards in the Company by taking measures like intensive safety drives in work area and conducting safety audit, workshop & first aid training, etc. The safety audits were conducted in hazardous departments in plant. In addition, specific workshops on safety have been organized like "Fire Mock Drill", specialized training campaign for increasing awareness about safe driving among the drivers/operators as a part of Transportation Safety Year 2011,

With an objective to increase awareness about Safety & Health amongst the employees, engineers from the HEP participated in a HSE Cultural workshop conducted by SN Power at ADHPL, Manali. On this occasion, a safety pledge was taken by the staff /workers to promote proactive EHS Culture.

18. CORPORATE SOCIAL RESPONSIBILITY

The Company believes that, in its areas of operations, its activities should generate economic benefits and opportunities for an enhanced quality of life for all the stakeholders and the society at large.

As a constructive partner in the communities in which it operates, the Company has been taking concrete action to realize its social responsibility and accordingly has been spending on the infrastructure development including construction, widening and strengthening of roads; construction of bridges; construction and maintenance of Village Bhojanalya and local school. The Company also contributes to women empowerment, community development and healthcare. The Company is running a dispensary which distributes free medicines and has availability of one dispenser round-the-clock for the benefits of local villagers. The Company also runs an acupressure Centre with one male and one female acupressure expert for the benefit of local community.

Various events like : Malana Day, Republic Day, Independence Day, New Year, Vishwakarma Jayanti, Dussehra, Diwali, Janmashtami, Lohari, etc. are celebrated in the campus.

To make efforts sustainable, the Company has been providing teachers to the local Govt. school; contributing for local fairs/festivals; providing free transportation and temporary lodging arrangements for the pilgrims visiting Kullu's Dussehra Festival; providing appliances to handicapped persons for their day-to-day needs; conducting blood donation camps and Pulse Polio Program and; providing cable facilities for residents of Chowki Village.

19. CORPORATE GOVERNANCE

The Company is committed to the application of the best management practices, compliance with law, adherence to ethical standards and discharge of social responsibilities. The Company has in all spheres of its activities adequate checks and balances to ensure protection of interest of all stakeholders.

The Company also endeavors to share, with its stakeholders' openly and transparently, information on matters which have a bearing on their economic and reputational interest.

The majority of the Board comprises of Non-Executive Directors' who play a critical role in imparting balance to the Board processes, by bringing an independent judgment to decide on issues of strategy, performance, resources, standards of Company's conduct, etc. The Audit Committee of the Board provides assurance to the Board on the adequacy of Internal Control Systems and Financial Systems.

20. ACKNOWLEDGEMENT

The Directors' place on record their sincere appreciation for the co-operation and support received from the Ministry of Power, Government of Himachal Pradesh, other government agencies, lenders, commercial banks, shareholders, financial institutions, PTC India Limited and our valued customers, who have continued their valuable support and encouragement during the year under review.

The Directors' also acknowledge and appreciate the commitment displayed by all executives, officers and staff at all levels of the Company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Ravi Jhunjhunwala
Chairman and Managing Director
(DIN 00060972)

Place : Noida
Date : 30th August, 2012

ANNEXURE I TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS PURSUANT TO THE COMPANIES

(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

1. CONSERVATION OF ENERGY -

- The Star delta starter of Cooling water pumps has been replaced by AC Drive
- Air conditioning system 7.5 ton for power house control room has been replaced by 1.5 ton split Air Conditioner.
- The HPMH lamps of 80 and 70 watts, Fluorescent lamps.
- Fluorescent tubes have been replaced by LED lights and CFL of lower wattages. All the above has resulted in a saving of ₹ 50000/-per month

2. TECHNOLOGY ABSORPTION -

The Company has not taken up any new project for technology absorption during the Financial Year under consideration.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

(in ₹ million)

		2011-12	**2010-11**
I	Foreign Exchange Outgo		
	Traveling & Conveyance	0.83	1.883
	Legal and Professional Expenses	–	2.569
	Fees and Subscription	1.536	2.766
	Total	**2.366**	**7.218**
II	Foreign Exchange Earnings		
	Others (Sale of Voluntary Emission Rights)	17.067	67.444
	Total	**17.067**	**67.444**

ANNEXURE II TO THE DIRECTORS REPORT

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of Directors Report for the year ended 31st March 2012 are given hereunder:

I. Persons employed for the full year

Name	Designation	Remuneration (₹ in Millions)	Qualification	Experi-ence	Age	Date of Commencement of Employment
Mr.Ravi Jhunjhunwala	Chairman & MD	11.335	B.Com (Hons), MBA	31	57	1.11.2001

AUDITORS' REPORT

To

The Members of Malana Power Company Limited

1. We have audited the attached Balance Sheet of Malana Power Company Limited ('the Company') as at March 31, 2012 and also the Statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are 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 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 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 comments in the Annexure referred to 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 appears from our examination of those books;
   iii. 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;
   iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement 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 the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 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 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;
      a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;
      b) in the case of the statement of profit and loss, of the profit for the year ended on that date; and
      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place : Gurgaon
Date : August 30, 2012

Annexure referred to in paragraph 3 of our report of even date

Re: Malana Power Company Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year. As informed, no material discrepancies were noticed on such verification.

(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In respect of material lying with third parties, the management has a process of confirmation and reconciliation with the third parties during the year.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company has granted loan to one Company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹59,818.32 lakhs and the year-end balance of loans granted to such Company was ₹52,196.57 lakhs (excluding interest accrued on the loan amounting to ₹7,461.13 lakhs).

(b) The Company covered in register maintained under Section 301 of the Companies Act, 1956 had requested the Company to waive off the interest from September 17, 2010 to March 31, 2011 and henceforth not to charge the interest till the time said Company's operations became profitable, which has been approved by the Board of Directors of the Company vide their meeting dated March 29, 2011. Read with above, in our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(c) As informed to us and as per the terms of the Subordination Loan agreement with the lenders, the loan granted and interest thereon is repayable only once all obligations to outside lenders have been paid and discharged in full. Accordingly, the Company has not demanded repayment of any such loan and interest thereon during the year and there has been no default on the part of the parties to whom the money has been lent.

(d) There is no overdue amount of loans granted to companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

(e) The Company has taken loan from one Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was ₹2,490.95 lakhs and the year-end balance of the loan taken from such Company was ₹2,207.01 lakhs.

(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan is not prima facie prejudicial to the interest of the Company.

(g) The loan taken and interest thereon is re-payable on demand. As informed to us, the lender has not demanded repayment of any such loan and interest thereon during the year, and thus, there has been no default on the part of the Company.

(iv) In our opinion and according to the information and explanations given to us, certain fixed assets and inventories purchased are of specialized nature for which comparable prices are not available. Read with above, in our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of power. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas. Due to the nature of its business, the Company is not required to sell any services.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements and exceeding value of Rupees five lakhs have been entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956, related to the generation of electricity from hydro-electric power and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to the Company. The provisions relating to employees' state insurance, investor education and protection fund, and excise duty are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance, investor education and protection fund, and excise duty are not applicable to the Company.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of Statute	Nature of Dues	Amount (₹ lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of expenses under Section 14A	15.84	Assessment Year 2008-09	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Disallowance of expenses under Section 14A, excess disallowance claimed u/s 80IA and disallowance of common expenses	17.03	Assessment Year 2009-10	Commissioner of Income Tax (Appeals)

(x) The Company has no accumulated losses at the end of the financial year and has not incurred cash losses in the current and in the immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, banks and debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and 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) of the Companies (Auditor's Report) Order, 2003 (as amended) 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. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by its subsidiary from banks and financial institutions, the terms and conditions whereof, in our opinion, are not prima facie prejudicial to the interest of the Company.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(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 no funds raised on short-term basis have been used for long-term investment.

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

(xix) According to the information, and explanation given to us, the Company has created security or charge in respect of debentures outstanding during the year.

(xx) The Company has not raised any money through public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place : Gurgaon
Date : August 30, 2012

BALANCE SHEET AS AT 31 MARCH 2012

Particulars	Note No.	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
I Equity and liabilities			
1 Shareholders' funds			
(a) Share capital	3	**14,752.57**	14,752.57
b) Reserves and surplus	4	**78,665.51**	76,204.87
		93,418.08	90,957.44
2 Non-current liabilities			
(a) Long-term borrowings	5	**18,252.74**	26,473.92
(b) Deferred tax liabilities	6	**2,185.76**	2,255.36
(c) Other long term liabilities	7	**-**	2,526.30
(d) Long-term provisions	8	**93.52**	67.34
		20,532.02	31,322.92
3 Current liabilities			
(a) Short-term borrowings	9	**2,207.01**	1,000.00
(b) Trade payable	10	**54.52**	402.04
(c) Other current liabilities	10	**14,845.40**	8,274.27
(d) Short-term provisions	8	**38.56**	54.59
		17,145.49	9,730.90
TOTAL		**131,095.59**	132,011.26
II. Assets			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11	**18,029.03**	19,927.24
(ii) Intangible assets	11	**13.14**	7.38
(b) Non-current investments	12	**49,295.56**	49,295.56
(c) Long-term loans and advances	13	**49,703.08**	49,514.93
(d) Other non-current assets	14	**7,476.77**	7,471.34
		124,517.58	126,216.45
2 Current assets			
(a) Inventories	15	**184.19**	566.79
(b) Trade receivables	16	**152.00**	331.91
(c) Cash and bank balances	17	**237.11**	4,801.54
(d) Short-term loans and advances	13	**6,003.26**	93.45
(e) Other current assets	18	**1.45**	1.12
		6,578.01	5,794.81
TOTAL		**131,095.59**	132,011.26
Summary of significant accounting policies	2		
The accompanying notes are an integral part of the financial statements			

For and on behalf of the Board of Directors of
Malana Power Company Limited

Ravi Jhunjhunwala
Chairman & Managing Director (DIN:-00060972)

Erik Knive
Director (DIN:-05213708)

O.P. Ajmera
Chief Executive Officer

Bharat Singh
Company Secretary (M.No.-F6459)

Place : Noida
Date : August 30, 2012

As per our report of even date
For **S. R. Batliboi & Co.**
Firm Registration No. : 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : August 30, 2012

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2012

Particulars		Note No.	For the year ended 31 March 2012 (₹ in lakhs)	For the year ended 31 March 2011 (₹ in lakhs)
I	**Income**			
	a Revenue from operations (net)	19	**10,743.10**	13,915.96
	b Other Income	20	**294.57**	2,394.89
	Total Income		**11,037.67**	16,310.85
II	**Expenses**			
	Wheeling Cost		**189.96**	168.06
	Employee benefits expense	21	**505.31**	480.77
	Other expenses	22	**1,336.64**	1,667.82
	Provision against upfront premium/other expenditure for Bara Banghal	37	**-**	3,597.71
	Depreciation and amortisation expense	23	**1,992.28**	1,986.58
	Finance costs	24	**3,990.06**	2,989.68
	Total expenses		**8,014.25**	10,890.62
III	**Profit before tax and prior period items**		**3,023.42**	5,420.23
	Prior Period expense		**34.33**	17.22
IV	**Profit before tax**		**2,989.09**	5,403.01
V	**Tax expense**			
	Current tax (MAT)		**598.05**	1,076.82
	Deferred tax charge / (credit)		**(69.60)**	(5.95)
	Total tax expense		**528.45**	1,070.87
VI	**Profit for the year**		**2,460.64**	4,332.14
VII	**Earnings per share (nominal value of share ₹10)**			
	Basic and diluted	25	**1.67**	2.94
Summary of significant accounting policies		2		

The accompanying notes are an integral part of the financial statements

As per our report of even date
For **S. R. Batliboi & Co.**
Firm Registration No. : 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : August 30, 2012

For and on behalf of the Board of Directors of Malana Power Company Limited

Ravi Jhunjhunwala
Chairman & Managing Director (DIN:-00060972)

Erik Knive
Director (DIN:-05213708)

O.P. Ajmera
Chief Executive Officer

Bharat Singh
Company Secretary (M.No.-F6459)

Place : Noida
Date : August 30, 2012

CASH FLOW STATEMENT AS AT MARCH 31, 2012

Particulars	For the year ended March 31, 2012 ₹ in lakhs	For the year ended March 31, 2011 ₹ in lakhs
Cash flow from operating activities		
Net profit before tax	**2,989.09**	5,403.01
Adjustments for :		
Depreciation	**1,992.28**	1,986.58
Provision against upfront premium/other expenditure for Bara Banghal (refer Note 35)	**-**	3,597.71
Profit on sale of fixed assets	**0.97**	(0.24)
Interest expense	**3,990.06**	2,944.31
Interest income	**(141.80)**	(1,889.99)
Unrealised foreign exchange loss/(gain)	**-**	(0.06)
Operating profit before working capital changes	**8,830.60**	12,041.32
Movement in working capital :		
- (Increase)/decrease in trade receivables	**179.91**	80.29
- (Increase)/decrease in loans and advances	**(102.52)**	188.66
- (Increase)/decrease in other current assets	**(0.33)**	(2.54)
- (Increase)/decrease in inventories	**382.60**	(369.43)
- (Decrease)/increase in current liability	**85.44**	63.82
- (Decrease)/increase in trade payable	**(347.52)**	11.81
- (Decrease)/increase in provision	**10.15**	(18.49)
Cash generated from operations	**9,038.33**	11,995.44
Direct tax paid (net of refund)	**631.00**	1,316.74
Net cash from / (used in) operating activities (A)	**8,407.33**	10,678.70
Cash flow from investing activities		
Fixed deposit placed	**-**	(18.83)
Purchase of fixed assets (including capital work in progress)	**(102.76)**	(280.07)
Proceeds from sale of fixed assets	**1.96**	3.92
Interest received	**141.00**	20.36
Loan and advances to subsidiary company	**(8,494.59)**	(6,196.78)

Particulars	For the year ended March 31, 2012 ₹ in lakhs	For the year ended March 31, 2011 ₹ in lakhs
Net cash from / (used in) investing activities (B)	**(8,454.39)**	(6,471.40)
Cash flow from financing activities		
Proceeds of short term loan from holding company	**1,207.01**	1,000.00
Repayment of long term loan	**(1,734.32)**	(7,574.23)
Proceeds from short term borrowings	**-**	9,500.00
Interest paid	**(3,990.06)**	(2,941.59)
Net cash from / (used in) financing activities (C)	**(4,517.37)**	(15.82)
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	**(4,564.43)**	4,191.48
Cash and cash equivalents at the beginning of the year	**4,782.71**	591.23
Cash and cash equivalents at the end of the year	**218.28**	4,782.71
Components of cash and cash equivalents		
Cash on hand	**4.31**	3.14
With banks - on current account	**213.97**	4,779.57
Total cash & cash equivalents (Note no. 17)	**218.28**	4,782.71

Notes:

The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" of the Companies (Accounting Standard) Rules 2006.

For and on behalf of the Board of Directors of Malana Power Company Limited

Ravi Jhunjhunwala
Chairman & Managing Director (DIN:-00060972)

Erik Knive
Director (DIN:-05213708)

O.P. Ajmera
Chief Executive Officer

Bharat Singh
Company Secretary (M.No.-F6459)

Place : Noida
Date : August 30, 2012

As per our report of even date
For **S. R. Batliboi & Co.**
Firm Registration No. : 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : August 30, 2012

NOTES TO THE FINANCIAL STATEMENTS

1. Nature of Operations

Malana Power Company Limited (hereinafter referred to as 'the Company') is engaged in the generation of hydro electric power and development of hydro power projects.

2. Basis of preparation of Financial Statement

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

2.1 Summary of Significant Accounting Policies

(a) Change in accounting policy

Presentation and disclosure of financial statements

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(c) Fixed Assets

Fixed assets comprises tangible and intangible assets are stated at cost, less accumulated depreciation/ amortisation less impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are changed to the statement of profit and loss for the period during which such expenses are incurred.

(d) Depreciation / Amortization on tangible fixed assets

(i) On the assets of generating unit and other Plant & Machinery, depreciation is provided on straight-line method at the rates based on their estimated useful lives, which corresponds to the rates prescribed in Schedule XIV of the Companies Act, 1956.

(ii) On other tangible fixed assets other than those covered under (i) above, depreciation is provided on written down value method at the rates based on their estimated useful lives, which corresponds to the rates prescribed in Schedule XIV of the Companies Act, 1956.

(e) Intangible Asset

Computer software purchased from outside are amortized on written down value method at the rate of 40% per annum based on its estimated useful life.

(f) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of cost of that asset. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(g) Leases

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(h) Investment

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(i) Inventories

Inventories comprising of components and stores and spares are valued at lower of cost and net realizable value. Cost is determined on weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(j) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Electricity

Revenue from sale of electricity is recognised on the basis of billable electricity (over and above free supply to Himachal Pradesh's State Government) scheduled to be transmitted to the customers, which approximates the actual electricity transmitted.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Voluntary emission rights (VER)

Revenue is recognised as and when the VER's are certified and sold and it is probable that the economic benefits will flow to the Company.

(k) Foreign currency translation

Foreign currency transactions and balances

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using exchange rate prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

(l) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund and superannuation scheme are a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the provident fund/trust.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

(iii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the year-end.

(iv) Liability under continuity loyalty bonus scheme ('CLB') is provided for on actuarial valuation basis, which is done as per projected unit credit method at the end of each financial year.

(v) Actuarial gains/losses are immediately taken to statement of profit and loss in the period in which they incur and are not deferred.

(vi) The Company presents its leave, gratuity and CLB liability as current and non-current based on the actuarial valuation.

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as “MAT Credit Entitlement.” The Company reviews the “MAT credit entitlement” asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

(n) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(o) Provisions

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate 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.

(p) Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(q) Contingent Liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. SHARE CAPITAL

Particulars		**As at 31 March 2012 (₹ in lakhs)**	**As at 31 March 2011 (₹ in lakhs)**
Authorized Shares			
160,000,000	(previous year 160,000,000) equity shares of ₹ 10 each	**16,000.00**	16,000.00
Issued, Subscribed and fully paid-up shares			
147,525,731	(previous year 147,525,731) equity shares of ₹10 each fully paid	**14,752.57**	14,752.57

(a) Reconciliation of the equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2012		**As at 31 March 2011**	
	No. of shares	**Amount (₹ in lakhs)**	**No. of shares**	**Amount (₹ in lakhs)**
Shares outstanding at the beginning of the year	**147,525,731**	**14,752.57**	147,525,731	14,752.57
Shares Issued during the year	**-**	**-**	-	-
Shares outstanding at the end of the year	**147,525,731**	**14,752.57**	147,525,731	14,752.57

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders."

(c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	**Amount (₹ in lakhs)**	**No. of shares**	**Amount (₹ in lakhs)**
Bhilwara Energy Limited, the holding company	**75,238,123**	**7,523.80**	75,238,123	7,523.80

(d) Details of shareholders holding more than 5% shares in the Company

Equity shares of ₹ 10 each fully paid up	As at 31 March 2012		As at 31 March 2011	
	No. of shares	**% Holding**	**No. of shares**	**% Holding**
Name of the Share Holders				
Bhilwara Energy Limited	**75,238,123**	**51.00%**	75,238,123	51.00%
SN Power Holding Singapore Pte Ltd	**72,287,608**	**49.00%**	72,287,608	49.00%

As per the records of the Company, including its register of shareholders/members, the above shareholding represents legal ownership of shares.

4. RESERVES & SURPLUS

Particulars	**As at 31 March 2012 (₹ in lakhs)**	**As at 31 March 2011 (₹ in lakhs)**
Securities premium account	**32,545.67**	**32,545.67**
Debenture Redemption Reserve		
Balance as per last financial statements	**83.33**	**138.89**
Less: amount transferred to the statement of profit and loss	**(55.56)**	**(55.56)**
Closing Balance	**27.77**	**83.33**
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	**43,575.87**	**39,188.17**
Add: profit for the year	**2,460.64**	**4,332.14**
Add: transfer from debenture redemption reserve	**55.56**	**55.56**
Net surplus in the statement of profit and loss	**46,092.07**	**43,575.87**
Total reserves and surplus	**78,665.51**	**76,204.87**

5. LONG TERM BORROWINGS

	Long-term		Current portion	
	As at 31 March 2012 (₹ in lakhs)	**As at 31 March 2011 (₹ in lakhs)**	**As at 31 March 2012 (₹ in lakhs)**	**As at 31 March 2011 (₹ in lakhs)**
Debentures				
100 (previous year : 100), 7.865% redeemable non convertible debentures of ₹ 1,000,000 each (previous year ₹166,666.60 each) (Secured)	**-**	55.56	**55.56**	111.11
100 (previous year : 100), 7.75% redeemable non convertible debentures of ₹ 1,000,000 each (previous year ₹166,666.60 each) (Secured)	**-**	55.55	**55.55**	111.11
Term loans				
From banks (secured)	**18,252.74**	26,362.81	**7,620.69**	8,022.72
From a financial institution (secured)	**-**	-	**7,000.00**	-
TOTAL	**18,252.74**	26,473.92	**14,731.80**	8,244.94
The above amount includes				
Secured Borrowings	**18,252.74**	26,473.92	**14,731.80**	8,244.94
Amount disclosed under the head "other current liabilities" (refer note no. 10)	**-**	-	**(14,731.80)**	(8,244.94)
	18,252.74	26,473.92	**-**	-

Redeemable Non-Convertible Debentures (NCD) are secured by way of first mortgage and charge on land situated at village Budasan (Gujarat) together with all estate rights etc., present & future, of the Company and further secured by irrevocable and unconditional guarantee extended by Infrastructure Leasing & Financial Services Ltd. (IL&FS). The aforesaid guarantee of IL&FS is secured by way of first charge on all immovable and movable properties, present and future, of the Company on pari-passu basis.

150, 7.75% debentures of ₹10.00 lakhs each privately placed with General Insurance Corporation Ltd., New India Assurance Co. Ltd. and Punjab National Bank equally and 100, 7.865% debentures of ₹10.00 lakhs each privately placed with Bank of Baroda were redeemable at par in 36 equal quarterly installments commencing from December 31, 2003. However, the above debentures were subject to a call and put option exercisable by the debenture holders and the Company respectively in November 2007. New India Assurance Co. Ltd (NIA) exercised the call option and 50 debentures of ₹10.00 lakhs each held by NIA were redeemed completely during the financial year 2007-08.

Other debenture holders opted to hold the debentures and repayment is being made as below:

Bank of Baroda	-	36 equal quarterly installments of ₹ 27.78 lakhs each starting from December 31, 2003
General Insurance Corporation	-	36 equal quarterly installments of ₹ 13.89 lakhs each starting from December 31, 2003
Punjab National Bank	-	36 equal quarterly installments of ₹ 13.89 lakhs each starting from December 31, 2003

Redemption of ₹9.44 lakhs (previous year ₹8.33 lakhs) on each debenture has been made till date.

The Company has taken Indian Rupee term loans from two banks amounting to ₹358.34 lakhs (previous year ₹ 842.43 lakhs) having interest rates ranging from 9.49% to 11.75% per annum (previous year 9.03% to 9.75% per annum). These loans are repayable in 40 quarterly principal payments and the repayment instalment starts from June 30, 2003.

The Company has taken Indian Rupee term loan from a bank amounting to ₹16,456.00 lakhs (previous year ₹ Nil) having interest rate of 12.00% per annum (previous year Nil). This loan is repayable in 22 quarterly principal payments and the repayment instalment starts from December 31, 2002.

The Company has taken Indian Rupee term loan from a bank amounting to ₹Nil (previous year ₹ 21,296.00 lakhs) having interest rates of Nil (previous year 11.75% per annum). This loan is repayable in 42 principal payments and the repayment instalment starts from July 1, 2009.

The Company has taken Indian Rupee term loan from a bank amounting to ₹ 4,000.00 lakhs (previous year ₹ 7,460.00 lakhs) having interest rate of 12.00% per annum (previous year 10.25% to 13.00% per annum). This loan is repayable in 25 equal quaterly principal payments and the repayment instalment starts from May 10, 2011.

The Company has taken Indian Rupee term loan from a bank amounting to ₹ 4,895.83 lakhs (previous year ₹ 4,500.00 lakhs) having interest rate of 11.30% per annum (previous year 11.30% per annum). This loan is repayable in 48 equal quaterly principal payments and the repayment instalment starts from March 31, 2012.

The Company has also taken foreign currency term loans from a bank amounting to ₹ 163.26 lakhs (previous year ₹ 287.10 lakhs) at rate of interest of 6.71% per annum (previous year 6.27% to 6.53% per annum) repayable in 40 equal quarterly installments of USD 80,000 each starting from 30th June 2003.

Above Terms loans from various banks are secured by way of first mortgage / charge on all the immovable properties wherever situated and hypothecation of all other assets, rights etc., present & future, of the Company on pari-passu basis.

Loan from financial institution was taken during the financial year and carries interest @ 12.08% per annum. The loan is repayable in two equal quarterly installments of ₹ 3,500 lakhs each starting from 29 May 2012 and is secured against first charge by way of hypothecation on the entire current assets including inventories, stores and spares, receivables, loans and advances and movable assets including but not limited to moneys receivable, investments, intangibles present and future and Demand Promissory Note executed by the Company.

6. DEFERRED TAX LIABILITIES

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Deferred tax liability		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**2,180.58**	2,251.94
Income taxable on receipt	**5.18**	3.42
Deferred tax liabilities	**2,185.76**	2,255.36

7. OTHER LONG TERM LIABILITIES

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Others		
Deposits from holding company (refer note no. 32)	-	2,526.30
TOTAL	-	2,526.30

8. PROVISIONS

	Long-term		Short-term	
	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Provision for employee benefits				
Provision for gratuity	13.44	-	3.48	8.87
Provision for leave benefits	43.79	41.17	7.83	7.56
Provision for superannuation	-	-	4.00	4.37
Provision for continuity linked bonus	36.29	26.17	23.25	33.79
TOTAL	93.52	67.34	38.56	54.59

9. SHORT TERMS BORROWINGS

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Short Term Loan		
Loans & advances from related parties		
- From Bhilwara Energy Limited (Holding Company)	2,207.01	1,000.00
TOTAL	2,207.01	1,000.00

Term loan from holding company is unsecured. The loan granted and interest thereon is repayable on demand. The loan carries an interest rate of 15.25%.

10. TRADE PAYABLE AND OTHER CURRENT LIABILITIES

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Trade payable	54.52	402.04
Other current liabilities		
Current maturities of long term borrowings	14,731.80	8,244.94
Payable to related party	50.42	-
Interest accrued but not due on long term borrowings	-	2.71
Sundry deposits	36.76	-
Statutory dues payable	26.42	26.62
TOTAL	14,845.40	8,274.27

12. NON CURRENT INVESTMENTS

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Trade Investments (valued at cost unless stated otherwise)		
Unquoted equity instruments		
Investment in subsidiary		
492,955,640 (Previous year 492,955,640) equity shares of ₹10 each fully paid of AD Hydro Power Limited	49,295.56	49,295.56
(pledged with security trustee on behalf of lenders of AD Hydro Power Limited)		
TOTAL	49,295.56	49,295.56

13. LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	Long-term		Short-term	
	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Capital advances				
Advance for chango yangthang project (refer note 32)	**-**	2,526.30	**-**	-
Advance for bara banghal project (including ₹ 537.71 lakhs towards consultancy and other expenses on the project) (Unsecured, considered doubtful)	**6,657.71**	6,657.71	**-**	-
Less : Provision against upfront premium/other expenditure for bara banghal (refer note no. 35)	**(3,597.71)**	(3,597.71)	**-**	-
Advance tax, tax deducted and collected at source [Net of provision amounting to ₹ 6,567.95 lakhs (previous year ₹5,748.93 lakhs)]	**217.40**	183.97	**-**	-
Loans and advances to holding company	**-**	-	**12.08**	1.95
Loans to employees	**13.59**	11.89	**6.82**	2.71

11. Tangible assets and intangible assets

(₹ in lakhs)

	Tangible Assets										Intangible Assets	
Particulars	**Freehold land**	**Freehold Building**	**Civil Work**	**Transmission Line**	**Plant and Machinery**	**Office equipments**	**Furniture and Fixtures**	**Computers**	**Vehicles**	**Total (Tangible Assets)**	**Software**	**Total (Intangible Assets)**
Cost or valuation												
As at 1 April 2010	215.17	2,249.58	18,472.65	1,996.70	9,580.84	28.78	57.54	58.33	112.17	32,771.76	116.98	116.98
Additions	-	929.05	2.01	-	0.09	15.38	5.40	2.00	27.14	981.07	-	-
Disposals	-	-	-	-	-	0.26	-	-	26.77	27.03	-	-
As at 31 March 2011	215.17	3,178.63	18,474.66	1,996.70	9,580.93	43.90	62.94	60.33	112.54	33,725.80	116.98	116.98
Additions		79.88	-	-	0.86	0.12	0.97	3.18	9.97	94.98	7.78	7.78
Disposals		-	-	-	-	2.59	0.30	7.72	9.47	20.08	55.42	55.42
As at 31 March 2012	**215.17**	**3,258.51**	**18,474.66**	**1,996.70**	**9,581.79**	**41.43**	**63.61**	**55.79**	**113.04**	**33,800.70**	**69.34**	**69.34**
Depreciation												
As at 1 April 2010	-	642.17	6,252.53	911.12	3,843.54	28.91	41.11	35.63	83.35	11,838.36	106.57	106.57
Charge for the year	-	82.69	1,203.57	105.49	571.77	2.06	3.28	4.67	10.02	1,983.55	3.03	3.03
Disposals	-	-	-	-	-	0.06	-	-	23.29	23.35	-	-
As at 31 March 2011	-	724.86	7,456.10	1,016.61	4,415.31	30.91	44.39	40.30	70.08	13,798.56	109.60	109.60
Charge for the year	-	92.81	1,203.67	105.49	566.21	3.48	3.61	4.20	11.19	1,990.66	1.62	1.62
Disposals	-	-	-	-	-	0.19	0.91	7.51	8.94	17.55	55.02	55.02
As at 31 March 2012	-	817.67	8,659.77	1,122.10	4,981.52	34.20	47.09	36.99	72.33	15,771.67	56.20	56.20
Net Block												
As at 31 March 2012	**215.17**	**2,440.84**	**9,814.89**	**874.60**	**4,600.27**	**7.23**	**16.52**	**18.80**	**40.71**	**18,029.03**	**13.14**	**13.14**
As at 31 March 2011	215.17	2,453.77	11,018.56	980.09	5,165.62	12.99	18.55	20.03	42.46	19,927.24	7.38	7.38

Notes :

1) Road & Building includes cost of road ₹1,228.38 lakhs (Previous year 1,228.38 lakhs) constructed on forest land diverted for the project under irrevocable right to use.

2) Transmission Lines includes ₹41.81 lakhs (Previous year ₹ 41.81 lakhs) towards cost of land and compensation paid to Forest Department for construction of Transmission towers under irrevocable right to use.

Security deposits	**32.09**	30.79	**-**	-
Advances recoverable in cash and kind	**-**	-	**167.79**	88.79
Loans & advance to subsidiary company (refer Note 36)	**46,380.00**	43,701.98	**5,816.57**	-
TOTAL	**49,703.08**	49,514.93	**6,003.26**	93.45

14. OTHER NON CURRENT ASSETS

(Unsecured, considered good unless stated otherwise)

	As at 31 March 2012 (₹ in lakhs)	**As at 31 March 2011 (₹ in lakhs)**
Interest accrued on loan given to subsidiary company (refer Note 36)	**7,461.13**	7,461.13
Surrender value of keyman insurance policy	**15.64**	10.21
TOTAL	**7,476.77**	7,471.34

15. INVENTORIES

(valued at lower of cost and net realisable value)

	As at 31 March 2012 (₹ in lakhs)	**As at 31 March 2011 (₹ in lakhs)**
Stores and spares (including material lying with third parties (₹ 1.09 lakhs, previous year ₹ 14.41 lakhs)	**184.19**	566.79
TOTAL	**184.19**	566.79

16. TRADE RECEIVABLES (CURRENT)

	As at 31 March 2012 (₹ in lakhs)	**As at 31 March 2011 (₹ in lakhs)**
Unsecured, considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they are due for payment	**-**	-
Other receivables	**152.00**	331.91
TOTAL	**152.00**	331.91

17. CASH AND BANK BALANCES

	As at 31 March 2012 (₹ in lakhs)	**As at 31 March 2011 (₹ in lakhs)**
Cash and cash equivalents		
Balances with banks in:		
- Current accounts	**213.97**	4,779.57
Cash on hand	**4.31**	3.14
	218.28	4,782.71
Other bank balances		
Margin money deposit (held as security)	**16.83**	16.83
Deposits with original maturity for more than 3 months but less than 12 months	**2.00**	2.00
	18.83	18.83
TOTAL	**237.11**	4,801.54

Fixed Deposit of ₹ 2.00 lakhs (previous year ₹ 2.00 lakhs) pledged with the H.P. Government Sales Tax Department and ₹ ₹ 8.54 lakhs (previous year ₹ 8.54 lakhs) pledged with Himachal Pradesh State Electricity Board

18. OTHER CURRENT ASSETS

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Interest accrued on banks deposits	**1.45**	1.12
TOTAL	**1.45**	1.12

19. REVENUE FROM OPERATIONS

	For the year ended 31 March, 2012 (₹ in lakhs)	For the year ended 31 March, 2011 (₹ in lakhs)
Revenue from operations		
Sale of power	**10,897.03**	14,311.51
Revenue from operations (gross)	**10,897.03**	14,311.51
Less : Discount on prompt payments	**157.66**	287.84
Less : Handling charges	**88.15**	78.66
Less : Unscheduled interchange charges / (credit)	**(91.88)**	29.05
Revenue from operations (Net)	**10,743.10**	13,915.96

20. OTHER INCOME

	For the year ended 31 March, 2012 (₹ in lakhs)	For the year ended 31 March, 2011 (₹ in lakhs)
Interest from subsidiary company	**-**	4,348.03
Less : Interest from subsidiary company waived (refer note no. 36)	**-**	(2,479.01)
Interest on bank deposits	**141.80**	20.97
Sale of voluntary emission reductions (VER)	**170.67**	674.44
Expenses on sale of voluntary emission reductions (including commission)	**(41.50)**	(184.12)
Excess provision/ credit balances written back	**13.10**	4.13
Surrender value of keyman insurance policy	**5.43**	2.54
Exchange fluctuation (net)	**-**	6.02
Profit on sale of fixed assets (net)	**-**	0.24
Miscellaneous income	**5.07**	1.65
TOTAL	**294.57**	2,394.89

21. EMPLOYEE BENEFITS EXPENSES

	For the year ended 31 March, 2012 (₹ in lakhs)	For the year ended 31 March, 2011 (₹ in lakhs)
Salaries, wages and bonus	**425.10**	404.35
Contribution to provident and other funds	**28.56**	28.00
Gratuity expenses (refer note no. 37)	**16.92**	9.34
Workmen and staff welfare expenses	**34.73**	39.08
TOTAL	**505.31**	480.77

22. OTHER EXPENSES

	For the year ended 31 March, 2012 (₹ in lakhs)	For the year ended 31 March, 2011 (₹ in lakhs)
Rent	**38.82**	38.82
Power and fuel	**32.64**	38.77
Repair and maintenance		
- Buildings	**3.88**	9.03
- Plant and machinery	**632.68**	950.77
- Others	**10.98**	11.66
Rates and taxes	**2.35**	0.44
Insurance	**139.03**	105.53
Payment to auditor (refer details below)	**12.41**	18.07
Director's remuneration	**113.35**	108.98
Director's commission*	**-**	92.01
Communication costs	**20.69**	20.14
Printing and stationery	**6.57**	7.41
Travelling and conveyance	**74.71**	72.87
Membership fees and subscriptions	**15.83**	36.18
Legal and professional fees	**80.01**	42.61
Exchange fluctuation (net)	**28.84**	-
Donations and contributions (other than to political parties)	**6.77**	6.68
Loss on fixed assets sold/discarded (net)	**0.97**	-
Balances/Advances written off	**9.70**	-
Open access charges	**8.05**	39.75
Miscellaneous expenses	**98.36**	68.10
TOTAL	**1,336.64**	1,667.82

*The Board of Directors have decided that the commission to managing director is not to be paid for the year ended March 31, 2012.

	For the year ended 31 March, 2012 (₹ in lakhs)	For the year ended 31 March, 2011 (₹ in lakhs)
Payment to Auditor		
As auditor:		
- Audit fee	**6.61**	6.60
- Fees for international reporting	**3.31**	3.30
In other capacity		
- Fees for special audit	**2.21**	3.03
- Fees for certification	**-**	4.56
- Out of pocket expenses	**0.28**	0.58
TOTAL	**12.41**	18.07

23. DEPRECIATION AND AMORTISATION EXPENSES

	For the year ended 31 March, 2012 (₹ in lakhs)	For the year ended 31 March, 2011 (₹ in lakhs)
Depreciation on tangible assets	**1,990.66**	1,984.97
Amortization of Intangible assets	**1.62**	1.61
TOTAL	**1,992.28**	1,986.58

24. FINANCE COST

	For the year ended 31 March, 2012 (₹ in lakhs)	For the year ended 31 March, 2011 (₹ in lakhs)
Interest		
- on term loans from banks	**3,810.72**	2,865.68
- on debentures	**19.57**	36.89
- on loan from holding company	**49.15**	41.74
Upfront fees and loan processing charges	**94.47**	3.31
Other bank charges	**8.39**	36.10
Exchange difference to the extent considered as an adjustment to borrowing costs	**7.76**	5.96
TOTAL	**3,990.06**	2,989.68

25. EARNING PER SHARE (EPS)

	For the year ended 31 March, 2012 (₹ in lakhs)	For the year ended 31 March, 2011 (₹ in lakhs)
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit/loss after tax as per statement of profit and loss	**2,460.64**	4,332.14
Weighted average number of equity shares in calculating basic and diluted EPS	**1,475.26**	1,475.26
Basic and diluted earnings per share in Rupees (face value of ₹10)	**1.67**	2.94

26. Segment Reporting

The Company's activities during the year involved generation of the hydro power (Refer Note 1). Considering the nature of Company's business and operations, there are no separate reportable segments (business and/ or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting' issued by the Companies (Accounting Standard) Rules, 2006 and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.

27. The Company is eligible for tax holiday under Section 80-IA of the Income Tax Act, 1961. In view of unabsorbed depreciation in the initial years, the Company has not availed the tax holiday benefit up to accounting year 2006-07. However, based on its profitability, it has decided to avail the deduction from the accounting year 2007-08 and will continue to avail it till accounting year 2015-16. The Company is liable to pay Income-Tax for the period under the provisions of Section 115JB of the Income-Tax Act, 1961.

28. The Company has the necessary permission from the Government of Himachal Pradesh to own, operate & maintain the project and sell power for a period of forty years from the date of commercial operation i.e. July 5, 2001 with the option to avail a further extension for a maximum period of twenty years after renegotiation of terms and conditions.

29. Contingent Liabilities not provided for

(a) Guarantee given for loans availed by AD Hydro Power Limited, subsidiary company, amounting ₹ 8,000 lakhs (Previous year ₹ 8,000 lakhs).

(b) Claims made against the Company not acknowledged as debts –

Demand from Divisional Forest Officer in respect of damages to forest trees ₹25.90 lakhs (Previous year - ₹ 34.21 lakhs).

The Company has been advised that this case is not probable to be decided against the Company and therefore no provision for the above is required.

(c) In respect of assessment year 2008-09, the Assessing Officer had disallowed certain proportion of the expenses as expenses incurred towards the exempt income under Section 14A and other expenses of the Income Tax Act, 1961 (`the Act') and raised a demand of ₹ 43.88 lakhs (Previous year ₹ 43.88 lakhs). The Company has preferred an appeal before Commissioner of Income Tax (Appeals) in respect of the said matter.

(d) In respect of assessment year 2009-10, the Assessing Officer had disallowed certain proportion of the expenses as expenses incurred towards the exempt income under Section 14A, deduction under Section

80IA comprising income from VERs and other expenses of the Income Tax Act, 1961 (`the Act') and raised a demand of ₹ 55.81 lakhs (Previous year ₹ Nil). The Company has preferred an appeal before Commissioner of Income Tax (Appeals) in respect of the said matter.

Assessment for the subsequent years could include demands on the similar items, amounts whereof could not be ascertained. Based on expert analysis, management believes that this demand and any possible demand for other assessment years to be raised by Income Tax Authorities on similar grounds, is unlikely to crystallize and there is a fair chance of decision in its favor.

30. Capital Commitments and other commitments

a) Estimated amount of contracts remaining to be executed on capital account (upfront fees) and not provided for (Net of advances) ₹ 6,120.00 lakhs for Bara Banghal HEP Project in Himachal Pradesh (Previous Year ₹ 6,120.00 lakhs)

b) At March 31, 2012, the Company has committed for non disposal of its investment in subsidiary AD Hydro Power Limited to the consortium lenders (similar commitment was there in the previous year also).

c) For commitment related to lease arrangement, (refer note no. 34)

31. Related Party Disclosures

(a) **Names of related parties**

Holding Company	Bhilwara Energy Limited
Subsidiary Company	AD Hydro Power Limited
Enterprises having significant influence over the Company	SN Power Holding Singapore Pte Ltd.Singapore Statekraft Norfund Power Invest AS, Norway
Fellow Subsidiary Companies	Indo Canadian Consultancy Services Limited, Green Ventures Pvt. Limited Chango Yangthang Hydro Power Limited
Key Management Personnel	Mr. Ravi Jhunjhunwala, Chairman & Managing Director
Relatives of key management personnel	Mrs. Rita Jhunjhunwala (wife of the Chairman & Managing Director) Mr. Riju Jhunjhunwala (son of the Chairman & Managing Director) Mr. Rishabh Jhunjhunwala (son of the Chairman & Managing Director)
Enterprises owned or significantly influenced by key management personnel or their relatives	HEG Limited, RSWM Limited

(b) Transaction with related parties

(₹ in lakhs)

Nature of Transaction	Holding Company/ Enterprises having significant influence over the Company		Subsidiary/ Fellow subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprise over which key management personnel / relative having significant influence	
	March 2012	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011
Transactions during the year										
Rent										
a) Mrs. Rita Jhunjhunwala							**15.29**	14.58		
b) Mr. Rishabh Jhunjhunwala							**14.84**	14.15		
c) Mr. Riju Jhunjhunwala							**14.84**	14.15		
d) RSWM Limited									**38.78**	38.78
Consultancy service charges paid to Indo Canadian Consultancy Services Limited			**16.55**	23.43						
Remuneration paid to Mr. Ravi Jhunjhunwala					**113.35**	108.98				
Commission paid to Mr. Ravi Jhunjhunwala					**-**	92.01				
Reimbursement of expenses paid to HEG Limited									**2.70**	2.75

(₹ in lakhs)

Nature of Transaction	Holding Company/ Enterprises having significant influence over the Company		Subsidiary/ Fellow subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprise over which key management personnel / relative having significant influence	
	March 2012	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011
Reimbursement of expenses paid to RSWM Limited									**15.40**	15.66
Reimbursement of expenses paid to Bhilwara Energy Limited	**33.74**	-								
Reimbursement of expenses paid to Indo Canadian Consultancy Services Limited			**0.02**	-						
Reimbursement of expenses paid to AD Hydro Power Limited			**20.32**	9.95						
Reimbursement of expenses paid to Statkraft Norfund Power Invest AS	**-**	19.63								
Reimbursement of expenses recovered from Bhilwara Energy Limited	**44.19**	-								

Nature of Transaction	Holding Company/ Enterprises having significant influence over the Company		Holding Company/ Enterprises having significant influence over the Company		Key Management Personnel		Relative of Key Management Personnel		Enterprise over which key management personnel / relative having significant influence	
	March 2012	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011
Reimbursement of expenses recovered from AD Hydro Power Limited			**1.15**	67.39						
Unsecured Loan repaid to Bhilwara Energy Limited (including interest)	**2,842.13**	2,421.94								
Unsecured Loan taken from Bhilwara Energy Limited	**4,000.00**	3,421.94								
Unsecured Loan repaid by AD Hydro Power Limited			**3,594.26**	2,320.00						
Unsecured Loan given to AD Hydro Power Limited			**12,108.02**	8,516.78						
Deposit taken from Bhilwara Energy Limited against Chango Yangthang project (refer note 32)	**1,403.15**	2,526.30								
Interest expense on loan from Bhilwara Energy Limited	**49.15**	42.95								
Interest Income on Unsecured loan given to AD Hydro Power Limited (refer note no. 35)			**-**	**1,869.02**						
Balances Receivable:										
Investment in AD Hydro Power Limited			**49,295.56**	49,295.56						
Unsecured Loan given to AD Hydro Power Limited			**52,196.57**	43,701.98						
Interest amount recoverable on Unsecured Loan from AD Hydro Power Limited			**7,461.13**	7,461.13						
Receivable from Bhilwara Energy Limited	**12.08**	1.95								
Balances Payable:										
Deposit taken from Bhilwara Energy Limited	**-**	2,526.30								
Loan taken from Bhilwara Energy Limited	**2,201.56**	1,000.00								
Indo Canadian Consultancy Services Limited			**14.91**							
Mr. Ravi Jhunjhunwala (commission)				-		92.01				
Guarantees given by the Company on behalf of AD Hydro Power Limited			**8,000.00**	8,000.00						

32. The Company had paid of ₹ 3,929.45 lakhs [representing upfront premium of ₹ 3,789.45 lakhs (Ist installment of ₹ 2,526.30 lakhs in 2007-08 and IInd installment of ₹ 1,263.15 lakhs in current year) and security deposit of ₹ 140.00 lakhs (paid during current year)] to the Government of Himachal Pradesh for the 140 MW Chango Yangthang HEP project which was awarded to the Company. This amount was paid by the Company on behalf of its holding company, Bhilwara Energy Limited ('BEL') with an understanding that all rights, obligations, rewards and risks of this project will belong to BEL. For making such payment, a corresponding amount of ₹ 3,929.45 lakhs has been received from BEL. Till previous year, the same amount was shown as 'advances for Chango Yangthang project' under 'long term loans and advances' and the corresponding amount received from BEL was shown under the head 'deposits from holding company' under 'Other long term liabilities' in the financial statements.

Pursuant to a quadripartite agreement entered into between the Company, BEL, the Government of Himachal Pradesh and Chango Yangthang Hydro Power Limited ('CYHPL') on November 4, 2011, the Company as well as BEL have consented to assign all their assets, liabilities, obligations, risks, privileges and benefits arising out of this project to CYHPL. Accordingly, the said advances and liabilities have been transferred to CYHPL.

33. The Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which came into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay them interest on overdue beyond the specified period irrespective of the terms agreed with the suppliers. As per the information available with the Company and relied upon by the auditors, none of the creditors fall under the definition of 'supplier' as per the Section 2(n) of the Act. In view of the above, the prescribed disclosures under Section 22 of the Act are not required to be made.

34. Leases

In case of assets taken on Operating Lease:

Office premises and vehicles are obtained on cancellable operating leases. All these leases have a lease term varying between 3 to 5 years. There are no restrictions imposed by lease arrangements. There are no subleases.

(₹ in lakhs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Lease payments for the year	**38.82**	38.82

35. In 2010-11, the Company had given an upfront premium of ₹ 6,120.00 lakhs for 200 MW Bara Banghal HEP project in state of Himachal Pradesh. Further, the Company had incurred expenses in the nature of consultant fees and other expenses of ₹ 537.71 lakhs in relation to this project. Approx. 21.46 hectares of land for the said project falls under the Dhauladhar Wildlife Sanctuary, where no construction is permitted. The Company had filed an impleadment application with the Supreme Court of India for giving direction to the Wildlife Authority for processing and granting the technical clearance for the said project.

Pending the decision on application by the Supreme Court of India for grant of clearance to the project and in view of uncertainties related to such approvals and significant delays in respect of the project as stated above and in accordance with the terms of the Hydro Policy of the State, the Board of Directors, in the previous year, had considered it prudent to make provision against 50% of the upfront premium of ₹ 3,060.00 lakhs and entire expenses incurred of ₹ 537.71 lakhs (i.e. total amount of ₹ 3,597.71 lakhs) till March 31, 2011 in respect of this project.

While the Company is working for de-notification of area falling under Dhauladhar Wildlife Sanctuary, considering the lengthy process involved and uncertainty of such de-notification, during the current year, the Company has submitted an application for development of project in 2 phases, with the first phase being of 92 MW to be implemented outside the wild life area. The Government has accorded the approval vide letter dated August 3, 2012 and accordingly, the upfront premium will be adjusted on signing of supplementary Pre - Implementation Agreement for 92 MW. Pending signing of such agreement, no adjustments have been made in the financial statements in this regard.

(b) In respect to Bara Banghal Project mentioned above, HPSEB has raised a demand of ₹ 661.05 lakhs incurred by HPSEB on surveys and investigations pertaining to the project which, in the opinion of the management, is due and payable only once the Implementation Agreement is signed. Thus, no provision has been made in the financial statements in this regard.

36. The Company has given loan to its subsidiary, AD Hydro Power Limited of which ₹ 52,196.57 lakhs (principal amount) is outstanding at year end (Previous year ₹ 43,701.98 lakhs).

The subsidiary company commenced commercial operations during the previous year and commissioned its Duhangan portion with effect from February 29, 2012. Due to substantial cost overruns witnessed at the subsidiary, resulting in huge reported losses, the subsidiary company requested the Company to waive off the interest from September 17, 2010 to March 31, 2011 and henceforth not to charge any interest till the time the subsidiary company's operations become profitable. The Board of Directors, vide their meeting dated March 29, 2011, approved such request of the subsidiary and, thus agreed to waive off interest of ₹ 2,479.01 lakhs for the period from September 17, 2010 to March 31, 2011 (which was charged at rate of interest of 11 % per annum, as agreed with the subsidiary company earlier). As the subsidiary company has continued to report losses till March 31, 2012, no interest has been recovered from the subsidiary company for the year ended March 31, 2012.

Based on expert legal opinion, the management believes that there is no income tax or corporate laws implications which arise out of the said waiver.

37. Gratuity (AS 15- Revised)

The Company has a defined benefit gratuity plan. Gratuity (being administered by a Trust) is computed as 15 days salary for every completed year of service or part thereof in excess of 6 months and is payable on retirement / termination / resignation. The benefit vests on the employee completing 5 years of service. The Gratuity plan for the Company is a defined benefit scheme where annual contributions are deposited with a Gratuity Trust Fund established to provide gratuity benefits. The Trust Fund has taken a Scheme of Insurance, whereby these contributions are transferred to the insurer. The Company makes provision of such gratuity asset/ liability in the books of accounts on the basis of actuarial valuation as per the Projected unit credit method.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet:

Net employee benefits expense (recognised in Employee Cost):

Particulars	**For the year ended March 31, 2012 (₹ in lakhs)**	For the year ended March 31, 2011 (₹ in lakhs)
Current Service Cost	**6.05**	5.87
Interest cost on benefit obligation	**4.59**	3.49
Expected return on plan assets	**(3.61)**	(3.53)
Net actuarial (gain)/ loss recognised in the year	**9.89**	3.51
Past service cost	**-**	-
Net benefit expense	**16.92**	9.34
Actual return on plan assets	**3.85**	3.33

Details of Provision for Gratuity:

Particulars	**As at March 31, 2012 (₹ in lakhs)**	As at March 31, 2011 (₹ in lakhs)
Defined benefit obligation	**73.94**	54.00
Fair value of plan assets	**57.02**	45.13
Surplus / (Deficit)	**(16.92)**	(8.87)
Less: Unrecognised past service cost	**-**	-
Net asset / (liability) recognized in Balance Sheet	**(16.92)**	(8.87)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	**For the year ended March 31, 2012 (₹ in lakhs)**	For the year ended March 31, 2011 (₹ in lakhs)
Opening defined benefit obligation	**54.00**	43.63
Interest cost	**4.59**	3.49
Current service cost	**6.05**	5.87
Benefits paid	**(0.83)**	(2.30)
Actuarial (gains)/ losses on obligation	**10.13**	3.31
Closing defined benefit obligation	**73.94**	54.00

Changes in the fair value of plan assets are as follows:

Particulars	For the year ended March 31, 2012 (₹ in lakhs)	For the year ended March 31, 2011 (₹ in lakhs)
Opening fair value of plan assets	45.13	44.10
Expected return	3.61	3.53
Contributions by employer	8.87	-
Benefits paid	(0.83)	(2.30)
Actuarial gains / (losses)	0.24	(0.20)
Closing fair value of plan assets	57.02	45.13

The defined benefit obligation amounting to ₹ 73,94 lakhs is funded by assets amounting to ₹ 57,02 lakhs and the Company expects to contribute ₹ 169.22 lakhs during the year 2012-13.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
	%	%
Investments with insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity for the Company's plans are shown below:

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
	%	%
Discount Rate	8.50	8.00
Expected rate of return on assets	8.00	8.00
Future Salary Increase	6.00	5.50
Withdrawal rate	1 to 3	1 to 3

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

Amounts for the current and previous four years are as follows*: (₹ in lakhs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009	For the year ended March 31, 2008
Defined benefit obligation	73.94	54.00	43.63	51.33	40.00
Plan assets	57.02	45.13	44.10	41.30	11.98
Surplus / (deficit)	(16.92)	(8.87)	0.47	(10.02)	(20.02)
Experience adjustments on plan liabilities	(10.31)	(3.47)	0.24	(2.60)	-
Experience adjustments on plan assets	(0.23)	(0.20)	5.47	0.02	-

*As the Company has adopted AS -15 (revised) in the year 2007-08, the above disclosures as required under Para 120 (n) have been made prospectively from the date the Company has first adopted the standard.

Defined Contribution Plan (₹ in lakhs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Contribution to Provident Fund	20.80	23.14
Contribution to Superannuation Fund	4.00	4.87
Total	24.80	28.01

Policy on Superannuation

On December 19, 2011, the Company has revised its superannuation benefit policy with effect from April 1, 2009, whereby the annual contribution in respect of each member payable by the employer shall be 15%

subject to maximum of ₹ 1.00 lakh per annum. However, as the annual CTC of many employees contains component of superannuation in excess of ₹ 1.00 lakhs, superannuation amount in excess of ₹ 1.00 lakh in CTC is being paid to the employee subject to tax deducted at source.

38. Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date

Particulars	March 31, 2012	March 31, 2011
Foreign Currency Loan	**₹ 163.26 lakhs (USD 3.20 lakhs @ closing rate of 1USD= ₹ 51.02)**	₹ 287.10 lakhs (USD 6.40 lakhs @ closing rate of 1USD= ₹ 44.86)

39. Imported and indigenous stores and spare parts consumed (included under respective heads of profit & loss account) :

Particulars	Percentage of total consumption		Value (₹ in lakhs)	
	2011-12	2010-11	2011-12	2010-11
Stores & Spares				
- Imported	**-**	70.47	**-**	546.50
- Indigenously obtained	**100**	29.53	**486.64**	229.04
Total	**100**	100	**486.64**	775.54

40. Earnings in foreign currency (accrual basis)

Particulars	2011-12 (₹ in lakhs)	2010-11 (₹ in lakhs)
Others (Sale of Voluntary Emission Rights)	**170.67**	674.44

41. Expenditure in foreign currency, net of TDS (accrual basis)

Particulars	2011-12 (₹ in lakhs)	2010-11 (₹ in lakhs)
Travelling & Conveyance	**8.30**	18.83
Legal and professional expenses	**-**	25.69
Fee & Subscription	**15.36**	27.66

42. Previous year's figures

Till the year ended 31 March 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

For and on behalf of the Board of Directors of
Malana Power Company Limited

As per our report of even date

For **S. R. Batliboi & Co.**
Firm Registration No. : 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : August 30, 2012

Ravi Jhunjhunwala
Chairman & Managing Director (DIN:-00060972)

Erik Knive
Director (DIN:-05213708)

O.P. Ajmera
Chief Executive Officer

Bharat Singh
Company Secretary (M.No.-F6459)

Place : Noida
Date : August 30, 2012

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

	Name of the subsidiary	AD Hydro Power Limited
1.	Financial period ended	March 31, 2012
2.	Holding company's interest	88% in equity shares
3.	Shares held by the holding company in the subsidiary	492,955,640 equity shares of ₹ 10 each fully paid up Amounting to ₹ 49,295.56 lacs
4.	The net aggregate of profits or losses For the current period of the subsidiary concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Nil
	b. not dealt with or provided for in the accounts of the holding company	NA
5.	The net aggregate of profits or losses for the current period of the subsidiary concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Nil
	b. not dealt with or provided for in the accounts of the holding company	NA

For and on behalf of the Board of Directors of
Malana Power Company Limited

Ravi Jhunjhunwala
Chairman & Managing Director (DIN:-00060972)

Erik Knive
Director (DIN:-05213708)

O.P. Ajmera
Chief Executive Officer

Bharat Singh
Company Secretary (M.No.-F6459)

Place : Noida
Date : August 30, 2012