ANNUAL REPORT
OF

MPCL
MALANA POWER

MALANA POWER COMPANY LIMITED

CORPORATE INFORMATION

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. LLP, 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

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

REGISTERED OFFICE & WORKS
Village Chowki, P.O. Jari
Distt. Kullu (H.P.)
Phone : 01902–276074 – 78
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LIAISON OFFICE
Bhilwara Bhawan
40–41, Community Centre
New Friends Colony
New Delhi – 110 025
Phone : 011–26822997

CHAIRMANS' SPEECH

Dear Stakeholder,

India's GDP growth is going through a sluggish phase of sub 5 per cent in the current financial year, due to a mix of domestic and external factors. In order to put the nation again on path of over 8 per cent growth, empowered committees like Cabinet Committee on Investment (CCI) and Cabinet Committee on Economic Affairs (CCEA) are working overtime on clearance of stranded projects and; removing bottlenecks for smooth operations of the projects in the energy sector. These steps are expected to revive the industry sentiment and boost investor confidence in the sector, which will certainly help in reducing the gap between demand and supply in the energy sector.

Still a lot needs to be done before the energy sector enters into the high trajectory. Clarity is required on the announced policies and their implementation. The biggest challenge will be minimization of subsidies in power sales, which will improve the financial health of the distribution companies. A positive momentum at the distribution companies end will reduce vulnerability in the backward supply chain consisting of power transmission and generation companies.

As widely anticipated the Southern Grid is likely to get linked to the other grids. The energy starved southern states will get access to power supplies from more generators. Vice versa merchant power producers will get access to more consumers. This is likely to result in buoyancy in energy prices, which will stabilize over a period of time.

On behalf of the Board of Directors, I would like to express our sincere gratitude to the Ministry of Power and Ministry of Environment and Forests, Government of India, Central Electricity Authority, Government of Himachal Pradesh, other government agencies, PTC India Limited, International Finance Corporation, lenders, commercial banks, financial institutions, 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 fifteenth Annual Report on the business and operations of the Company and Audited Statement of accounts for the year ended 31st March, 2013 together with the Auditors' Report.

1.0 FINANCIAL PERFORMANCE

(₹ in million)

Particulars	For the Year ended 31.03.2013	For the Year ended 31.03.2012
TOTAL TURNOVER	**946.241**	1,089.703
Less : Discount on prompt payments / Unscheduled interchange charges	**46.401**	15.393
Net Sales	**899.840**	1,074.310
Other Income	**12.647**	29.457
Total Income	**912.487**	1,103.767
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX	**729.075**	900.576
Interest	**331.942**	399.006
PROFIT BEFORE DEPRECIATION AND TAX	**397.133**	501.570
Depreciation	**199.689**	199.228
Profit Before Tax and Prior Period items	**197.444**	302.342
Prior Period Expenses (Travelling Expenses)	**–**	3.433
PROFIT BEFORE TAX	**197.444**	298.909
Provision for Tax		
– Current Tax	**39.504**	59.805
– Deferred Tax Charge/(Credit)	**1.058**	(6.960)
NET PROFIT AFTER DEPRECIATION, INTEREST AND TAX (PAT)	**156.882**	246.064
Balance brought forward from previous year		
AMOUNT AVAILABLE FOR APPROPRIATION	**4,766.089**	4,603.651
APPROPRIATION		
Transfer from debenture redemption reserves	**2.777**	5.556
Total	**2.777**	5.556
Surplus carried to Balance Sheet	**4,768.866**	4,609.207
Basic and diluted Earning Per Share (EPS), (In ₹)	**1.06**	1.67

Due to poor hydrology across the region the generation during the year stood at 333.077 Million Kwh as compared to 376.178 Million Kwh in the previous year. Though the plant availability for generation of power was 99.8%. Beside, inspite of overall power deficit rising from 8.5% in 2011-12 to 8.7% in 2012-13 merchant tariff during the year remain subdued as most of Discoms have restored to load shedding instead of buying adequate power due to their poor financial strength.

This has overall impacted the bottom line of the Company by about 100 Million Rupees as compared to previous year.

The operation data for the year is as given below:

(in million units)

S. No.	Particulars	2012–13	2011–12
1	Total Generation	**333.077**	376.178
2	Less: Auxiliary & Transmission Loss	**3.734**	3.700
3	Less: Royalty/Wheeling to Govt. of HP	**60.599**	68.535
4	Less: Impact of Unschedule Interchange Energy /PoC Loss	**8.019**	11.760
5	Total Units sold	**260.724**	292.183

2.0 SUBSIDIARY COMPANY

The AD Hydro Power Ltd, a subsidiary of your Company, is engaged in operation, maintenance and generation of 192 MW hydro electric project in the state of Himachal Pradesh.

The Annual Report for the financial year 2012- 13 and Accounts for the year ended on 31st March, 2013, as required under Section 212 of the Companies Act, 1956 of the said subsidiary company, is attached.

3.0 NEW PROJECTS

Bara Banghal HEP

The 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 divided in two stages : the first stage (capacity of 92MW) to be developed outside the DWLS; and the second stage to be taken up for implementation after de-notification of area falling under DWLS. Accordingly the Company approached to the State Govt of Himachal Pradesh to develop the project in two phases, which was approved by the State Government in August 2012. The Company has signed Supplementary Pre-Implementation Agreement with GoHP for Bara Banghal HEP Stage-I (92 MW) on 3rd December 2012. Presently the technical consultants are carrying out field investigations, topographical survey and are working on Detailed Project Report for 92 MW Stage–I.

For Stage-II, the State Wildlife Department has appointed Himachal Pradesh State Forest Research Institute to study the impact of implementation of Barabangahal HEP on the wildlife. The revised tentative lay-out of the project comprising the scheme in two phases has already been submitted to the State Forest Research Institute.

4.0 THE FUTURE OUTLOOK

The Indian power sector is currently reeling under an odd situation. The Sector is faced with various challenges on almost every front ranging from availability of fuel, delayed environmental clearances albeit with stringent conditions, funding slowdown and continued deteriorating financial performance of Discoms across the country. On one hand, we have soaring unfulfilled demand for energy; while on the other hand, we have power generating plants kept idle because of lack of demand generated by the state owned utility companies. The mounting debts of the state sector distribution utilities have resulted in the deterioration of the financial health. As a result, instead of buying adequate power, Discoms have resorted to load shedding;. The merchant tariff of power, both at the short term bilateral power sales agreement and at the power exchanges, has dropped down to considerably low level.

In spite of the record breaking capacity additions in Eleventh Five Year Plan and first year of Twelfth Five Year Plan i.e. 2012-13, the sentiments in the power sector are not very positive. The Government of India has set the capacity addition target of 88,537 MW during 12th Five Year Plan (2012-17). The recent trends are showing that the demand both at base and peak is not rising as was anticipated, because of the reduced industrial activity, while the generation continues to rise with newer capacity additions.

Though there are number of issues confronting the sector, yet there have been various initiatives taken by the Central/State Governments and its agencies in order to expedite the power potential of the country and to provide an environment that can increase the efficacy of the existing resources.

The Central Government's strong focus on increasing electricity rates and reducing cross-subsidies has contributed to the positive trend of tariff revision in the sector. In addition, there was ruling by the Appellate Tribunal for Electricity in November, 2011 that the SERCs must initiate suo moto tariff revision in case the discoms fail to submit ARRs on time. During 2012-13, almost all the states undertook tariff revisions (in the range of 1.5-37 per cent) and the trend is likely to continue in 2013-14. Fourteen states have already incased tariffs for the year and others are expected to follow suit

On the distribution front, the Government has approved the restructuring package. This bailout package is aimed to reduce the debt service burden of the state utilities. However the successful implementation of this bailout package will largely depend upon timely performance of milestones linked to this bailout package. Under this scheme, 50 per cent of the short-term liabilities of discoms would be converted into bonds and issued to them, while the remaining 50 per cent would be rescheduled.

Priority has been given to ensure the connection of Southern Grid to the NEW grid by January 2014. Once completed, this interconnected national grid will facilitate power transmission from hydro power potential rich Northern Region to cater the peak load requirements of power deficit Southern Region. It is imperative to note that according to CEA during 2013-14 India will observe energy deficit of 6.7% and peak deficit of more than 3000 MW. Owing to the grid disturbances last year several regulations has also been passed recently for tightening the frequency band to 49.95 – 50.05 Hz which will further result in increasing the volume of short term bilateral transactions among generating and distribution utilities.

In spite of the recent steps taken by the Government, the power sector is likely to see a dull period for the next couple of years. On the generation front bulk of generating capacity already under construction is expected to be commissioned in the next 2-3 years, which would further increase the supply position. However the Government's initiative to improve the financial strength of Discoms may take some time to increase their ability to purchase adequate power and maintain adequate power supply to its end consumer. For a sector constrained by multiple challenges, a lot is expected from the Government for its revival and to ensure that Power Sector plays its role in the efforts to bring back the GDP growth rate in excess of 8 percent. The largest grid failure in the world in end of July 2012had affected 620 million people (around 9% of world population) across 21 states. It had shown that a lot needs to be done for improvement and stabilization of power infrastructure in the country.

The Eighteenth Electric Power Survey (EPS) projects an energy requirement of 1,354.9 BUs and a peak load of about 200 GW for the Twelfth Plan period.

It is estimated that the peak demand supply gap would further increase post FY 2015 on account of decreased capacity addition and fuel cost escalation. Accordingly the merchant tariff is expected to see the increasing trend post FY 2015 primarily due to improvement in the liquidity profile of the Discoms post tariff hike, debt restructuring package and higher fuel prices and high demand supply gap.

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

5.0 DIVIDEND

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

6.0 REDEMPTION OF DEBENTURES

During the financial year 2012-2013, debentures amounting to ₹ 11.11 million have been redeemed.

7.0 PUBLIC DEPOSITS

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

8.0 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.

9.0 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.

10.0 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

10.1 INTERNAL CONTROL SYSTEMS

The Company has proper and adequate internal control systems in place for all its business activities to ensure compliance with policies, procedures, applicable Acts and Rules and best practices in the industry. All transactions 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 reviews the adequacy of Internal Control Systems. The Company's Internal Control Systems are supplemented by Internal Audit covering all financial and operating functions.

10.2 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.

11.0 DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Mr. R.P. Goel and Dr.Kamal Gupta, 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.

During the year Mr. Tor Inge Stokke was appointed as Alternate Director to Mr. Erik Knive with effect from 17th December, 2012. Consequent upon the return of Mr. Erik Knive to the Board, Mr. Tor Inge Stokke vacates the officer as Alternate Director on 26th June, 2013. The Board of Directors wishes to place on record their appreciation towards the contribution made by Mr. Tor Inge Stokke during his tenure as Alternate Director to Mr. Erik Knive.

12.0 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.

As on date, the Audit Committee comprising the following members: Mr. Ravi Jhunjhunwala, Dr. Kamal Gupta and Mr. Erik Knive. The proceedings of the Committee have been in accordance with the provisions of the Companies Act, 1956.

13.0 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 2012-2013.

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.

14.0 AUDITORS

14.1 STATUTORY AUDITORS

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

14.2 COST 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.

15.0 HUMAN RESOURCE DEVELOPMENT

The Company believes that all commercial activities should be infused with compassionate action to make the work place better and harmonious. Our focus has always been on creating an encouraging and engaging environment for our employees. 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 to address the various needs and aspiration of our people. Many of our activities are focussed on multi-skill training, performance improvement, time management, cross-fuctional team coordination, etc.

In the last week of October, 2013, Global CDM Workshop was conducted. This workshop was attended by executives of company, its subsidiary company AD Hydro Power Ltd and representative from SN Power, Philippines and Chile.

We also have a robust grievance redressal mechanisam in place for our people. We make sure we give a patient hearing to the issues faced by the employees and follow strict protocols for their resolution.

16.0 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. During the year under consideration, your Company fulfilled its commitment to adopt best international EHS practices in its operating plant by being awarded ISO 14001:2004 certification (internationally accreditation for Environmental Management System) and OHSAS 18001:2007 (internationally recognized assessment specification for Occupational Health and Safety Management System). These systems promote a safe and healthy working environment by providing a framework that allows organizations to prevent pollution and reduce potential accidents and improve overall EHS performance.

The company has organized two and half days "ISO 14001 and OHSAS 18001 internal Auditors Training Program" from 26th to 28th August, 2012. The training was imparted to 03 participants of MPCL by the competent trainer from certification agency KVQA. An internal audit was conducted by HSE Consultant on 12th July 2013 as required under the provision of the standards before conducting surveillance audit by the certification agency. The Surveillance audit is fixed on 29th August 2013.

The Company celebrates 22nd April as World Earth Day by having plantation in local areas. During the Financial Year, the Company is maintaining 955 trees, which was planted around the premises. The disposal of hazardous waste is being done as per approved standard/Norms of Pollution Control Board. 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. Your Company also participates in Pulse Polio Programme, organized regularly by Rashtriya Gramin Swasthaya Mission, Himachal Pradesh, at Jari.

The Company is also committed to provide an incident and injury free workplace to its employees and workers all across its unit. The Safety and security of employees is one of the prime concerns of the Management. Consistent efforts have been made by the Company to improve safety standards of the Company by taking measures like intensive safety drives in work area and conducting safety audit, workshop & first aid training, etc. Frequent safety Inspection and audits are conducted in the plant area from time to time. During the year under consideration, the Fire Officer from Directorate of Fire Services, Government of Himachal Pradesh, inspected the Malana HEP and found the fire fighting measures satisfactory. A certificate to this effect was issued by Chief Fire Officer (H.P.).

Some of the following activities were carried out during the financial year under consideration:

- A lecture on operation of fire extinguisher was organized to promote awareness among project employees regarding fire hazards and fire prevention.
- A training on "Disaster Management" was conducted by National Civil Defense College, Nagpur at ADHPL from 7th-10th Nov.'12, where employees from Malana participated.
- A training on "Electrical Safety" was conducted by corporate EHS on 28th May 2013
- A training on "First Aid " was conducted by the Dr. Deepak Tikoo on 28th May 2013
- A mock Drill and fire fighting training was conducted by Site EHS on 23rd July 2013
- A "First Aid" Training was conducted on 23rd July 2013 by Dr. Atul Shehgal
- A specific First Aid Training on " Snake bite was conducted on 16th August 2013 by Dr. Deepak Tikoo

17.0 CORPORATE SOCIAL RESPONSIBILITY

The Company ensures 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, your Company has been taking concrete action to realize its social responsibility. In the past, the Company has been actively involved in local infrastructure development like : construction, widening and strengthening of roads; construction of bridges; construction and maintenance of Village Bhojanalya and local school. Your Company also contributes to women empowerment, community development and healthcare.

Your Company is :

- Running a dispensary which distributes free medicines and has availability of a doctor twice a week and one dispenser round-the-clock for the benefits of local villagers. Rrunings an acupressure Centre with one male and one female acupressure expert for the benefit of local community.
- Providing free 20 nos. of cable network connections to Chowki villagers
- Providing free building, infrastructure and water facility to English medium La Montessori School-Doonkhra.

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

To make efforts sustainable, the Company has been providing 3 teachers to the local Govt. school, Chowki; 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.

In the financial year under consideration, the Company has also contributed by:

- Providing one dedicated Inverter of suitable capacity for Operation Theatre at Primary Govt. Health Centre-Jari
- Developing play ground for student of Govt. School, Chowki
- Donated Sanskrit Books to the Dev Vani Sanskriti Pustakalaya (Library) at Dev Sadan Kullu.

In the period under consideration, your company spent Rs.1.16 million as against a budgetary provision of Rs. 1.20 million (0.5% of the Net Profit for FY2011-12).

18.0 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. Your Company has in all spheres of its activities adequate checks and balances to ensure protection of interest of all stakeholders. Your 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.

19.0 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, 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.

Your involvement as shareholders is greatly valued and appreciated. The Directors look forward to your continuing support.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

RAVI JHUNJHUNWALA
Chairman and Managing Director
(DIN 00060972)

PLACE: NOIDA
DATE: 26th August, 2013

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 –

- During emptying the reservoir, the 2 blocks of inclined concrete lining towards semi-gravity wall of reservoir were found to have settled, resulting in damage of the geo-membrane at the joint and creating a gap between toe-wall and concrete lining. The repair work of the same was done, which resulted in reduction of water leakage from 60 lps to 20 lps (equivalent to generation of 1.4 MU per year).

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)

		2012 –13	**2011–12**
I	Foreign Exchange Outgo		
	Traveling & Conveyance	**0.185**	0.83
	Legal and Professional Expenses	**–**	–
	Fees and Subscription	**–**	1.536
	Others	**0.344**	–
	Total	**0.529**	2.366
II	Foreign Exchange Earnings		
	Others (Sale of Voluntary Emission Rights)	**10.302**	17.067
	Total	**10.302**	17.067

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 2013 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	11.938	B.Com (Hons), MBA	32	58	1.11.2001

INDEPENDENT AUDITOR'S REPORT

To the Members of Malana Power Company Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Malana Power Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub–section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(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 the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub–section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
   (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub–section (1) of section 274 of the Companies Act, 1956.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Manoj Gupta
Partner
Membership Number: 83906

Place : Gurgaon
Date : August 26, 2013

Annexure referred to in paragraph 1 under "Report on Other Legal and Regulatory Requirements" 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 Rs 52,196.57 lacs and the year–end balance of loan granted to such company was Rs 46,380 lacs (excluding interest accrued on the loan amounting to ₹ 7,461.13 lacs).

(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 ₹ 2,207.01 lacs and the year–end balance of the loan taken from such Company was ₹ Nil.

(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 and have been repaid during the year. 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, 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 lacs 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 and cess on account of any dispute, are as follows:

Name of Statute	Nature of Dues	Amount (₹ in lacs)	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	Income Tax Appellate Tribunal, New Delhi
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	Income Tax Appellate Tribunal, New Delhi

* Though, these demands have been adjusted by the Assessing Officer against refunds for subsequent assessment years, the Company has contested the same.

The provisions relating to excise duty are not applicable to the Company.

(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 holder.

(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. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Manoj Gupta
Partner
Membership Number: 83906

Place of Signature: Gurgaon
Date: August 26, 2013

BALANCE SHEET AS AT 31 MARCH 2013

Particulars	Note No.	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	**14,752.57**	14,752.57
b) Reserves and surplus	4	**80,234.33**	78,665.51
		94,986.90	93,418.08
2 Non–current liabilities			
(a) Long–term borrowings	5	**24,300.00**	18,252.74
(b) Deferred tax liabilities	6	**2,196.34**	2,185.76
(c) Long–term provisions	7	**61.89**	93.52
		26,558.23	20,532.02
3 Current liabilities			
(a) Short–term borrowings	8	**–**	2,207.01
(b) Trade payable	9	**54.36**	58.52
(c) Other current liabilities	9	**2,750.71**	14,845.40
(d) Short–term provisions	7	**154.78**	34.56
		2,959.85	17,145.49
TOTAL		**124,504.98**	131,095.59
II. ASSETS			
1 Non–current assets			
(a) Fixed assets			
(i) Tangible assets	10	**16,024.22**	18,031.84
(ii) Intangible assets	10	**6.07**	10.33
(b) Non–current investments	11	**49,295.56**	49,295.56
(c) Long–term loans and advances	12	**49,619.90**	49,703.08
(d) Other non–current assets	13	**7,478.23**	7,476.77
		122,423.98	124,517.58
2 Current assets			
(a) Inventories	14	**216.14**	184.19
(b) Trade receivables	15	**84.94**	152.00
(c) Cash and bank balances	16	**1,640.61**	237.11
(d) Short–term loans and advances	12	**137.05**	6,003.26
(e) Other current assets	17	**2.26**	1.45
		2,081.00	6,578.01
TOTAL		**124,504.98**	131,095.59
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements			

As per our report of even date

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

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : 26th August, 2013

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. F–6459

Place : Noida
Dated : 26th August, 2013

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	Note No.	For the year ended 31 March 2013 (₹ in lacs)	For the year ended 31 March 2012 (₹ in lacs)
I Income			
a Revenue from operations (net)	18	**8,998.40**	10,743.10
b Other Income	19	**126.47**	294.57
Total Income		**9,124.87**	11,037.67
II Expenses			
Wheeling Cost		**168.01**	189.96
Open access charges		**166.45**	8.05
Employee benefits expense	20	**642.59**	618.66
Other expenses	21	**857.07**	1,215.24
Depreciation and amortisation expense	22	**1,996.89**	1,992.28
Finance costs	23	**3,319.42**	3,990.06
Total expenses		**7,150.43**	8,014.25
III Profit before tax and prior period items		**1,974.44**	3,023.42
Prior Period expense		**–**	34.33
IV Profit before tax		**1,974.44**	2,989.09
V Tax expense			
Current tax (MAT)		**395.04**	598.05
Deferred tax charge / (credit)		**10.58**	(69.60)
Total tax expense		**405.62**	528.45
VI Profit for the year		**1,568.82**	2,460.64
VII Earnings per share (nominal value of share ₹10)			
Basic and diluted	24	**1.06**	1.67
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : 26th August, 2013

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. F–6459

Place : Noida
Dated : 26th August, 2013

CASH FLOW STATEMENT AS AT MARCH 31, 2013

Particulars	For the year ended March 31, 2013 (₹ in lacs)`	For the year ended March 31, 2012 (₹ in lacs)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	**1,974.44**	2,989.09
Adjustments for :		
Depreciation	**1,996.89**	1,992.28
Loss on sale of fixed assets	**19.26**	0.97
Interest expense	**3,284.10**	3,990.06
Surrender value of keyman insurance policy	**(1.46)**	–
Interest income	**(17.06)**	(141.80)
Operating profit before working capital changes	**7,256.17**	8,830.60
Movement in working capital :		
– (Increase)/decrease in trade receivables	**67.06**	179.91
– (Increase)/decrease in loans and advances	**67.77**	(102.52)
– (Increase)/decrease in other current assets	**–**	(0.33)
– (Increase)/decrease in inventories	**(31.95)**	382.60
– (Decrease)/increase in current liability	**(62.00)**	85.44
– (Decrease)/increase in trade payable	**(4.16)**	(347.52)
– (Decrease)/increase in provision	**88.59**	10.15
Cash generated from operations	**7,381.48**	9,038.33
Direct tax paid (net of refund)	**311.00**	631.00
Net cash from operating activities (A)	**7,070.48**	8,407.33
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work in progress)	**(16.38)**	(102.76)
Proceeds from sale of fixed assets	**9.05**	1.96
Interest received	**16.00**	141.00
Fixed deposit placed	**(10.68)**	–
Loan (given to) / received from subsidiary company	**5,800.00**	(8,494.59)
Net cash from / (used in) investing activities (B)	**5,797.99**	(8,454.39)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of short term loan from holding company	**(2,207.01)**	1,207.01
Repayment of long term loan	**(5,984.54)**	(1,734.32)
Interest paid	**(3,284.10)**	(3,990.06)
Net cash from / (used in) financing activities (C)	**(11,475.65)**	(4,517.37)
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	**1,392.82**	(4,564.43)
Cash and cash equivalents at the beginning of the year	**218.28**	4,782.71
Cash and cash equivalents at the end of the year	**1,611.10**	218.28
Components of cash and cash equivalents		
Cash on hand	**5.10**	4.31
With banks – on current account	**1,606.00**	213.97
TOTAL CASH & CASH EQUIVALENTS (NOTE NO. 16)	**1,611.10**	218.28

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.

As per our report of even date

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

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : 26th August, 2013

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. F–6459

Place : Noida
Dated : 26th August, 2013

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. 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.

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.

2.1 Summary of Significant Accounting Policies

(a) Use of estimates

The preparation of financial statements in conformity with Indian generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, 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.

(b) Tangible Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation / amortisation less impairment losses if any. Cost comprises the purchase price and any directly 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.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized

(c) 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.

(d) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash–generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

(e) Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Computer software are amortized on written down value method at the rate of 40% per annum based on its estimated useful life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

(f) Borrowing Costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

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 lesser 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.

(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 gratuity and leave 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 liabilities are recognized for all taxable timing differences. 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.

In the situations where the Company is entitled to a tax holiday under the Income–tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Company restricts recognition of 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 realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

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

	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
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 March 31, 2013		As at March 31, 2012	
	No. of shares	Amount (₹ in lacs)	No. of shares	Amount (₹ in lacs)
Shares outstanding at the beginning of the year	**147,525,731**	**14,752.57**	147,525,731	14,752.57
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 March 31, 2013		As at March 31, 2012	
	No. of shares	Amount (₹ in lacs)	No. of shares	Amount (₹ in lacs)
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 March 31, 2013		As at March 31, 2012	
	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

	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Securities premium account	**32,545.67**	32,545.67
Debenture Redemption Reserve		
Balance as per last financial statements	**27.77**	83.33
Less: amount transferred to the statement of profit and loss	**(27.77)**	(55.56)
Closing Balance	**–**	27.77
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	**46,092.07**	43,575.87
Add: profit for the year	**1,568.82**	2,460.64
Add: transfer from debenture redemption reserve	**27.77**	55.56
Net surplus in the statement of profit and loss	**47,688.66**	46,092.07
TOTAL RESERVES AND SURPLUS	**80,234.33**	78,665.51

5. LONG TERM BORROWINGS

	Long–term		Current portion	
	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Debentures				
Nil (previous year : 100), 7.865% redeemable non convertible debentures of ₹ 1,000,000 each (previous year ₹ 1,000,000.00 each) (Secured)	**–**	–	**–**	55.56
Nil (previous year : 100), 7.75% redeemable non convertible debentures of ₹ 1,000,000 each (previous year ₹ 1,000,000.o0 each) (Secured)	**–**	–	**–**	55.55
Term loans				
From banks (secured)	**24,300.00**	18,252.74	**2,700.00**	7,620.69
From a financial institution (secured)	**–**	–	**–**	7,000.00
TOTAL	**24,300.00**	18,252.74	**2,700.00**	14,731.80
The above amount includes				
Secured Borrowings	**24,300.00**	18,252.74	**2,700.00**	14,731.80
Amount disclosed under the head "other current liabilities" (refer note no. 9)	**–**	–	**(2,700.00)**	(14,731.80)
	24,300.00	18,252.74	**–**	–

7.865% and 7.75% redeemable Non–Convertible Debentures (NCD) of ₹ NIL (previous year ₹ 55.56 lacs) and ₹ NIL (previous year (₹ 55.55 lacs) respectively were secured by way of first mortgage and charge on land situated at village Budasan (Gujarat) together with all estate rights etc., present and future, of the Company and further secured by irrevocable and unconditional guarantee extended by Infrastructure Leasing & Financial Services Ltd. The aforesaid guarantee was secured by way of first charge on all immovable and movable properties, present and future, of the Company on pari passu basis. The lenders have vacated these charge during the year.

The Company has taken Indian Rupee term loans from Banks ₹ 27,000 lacs (previous year ₹ NIL) carring interest at base rate plus 1.25% currently @ 11.75% per annum secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis. This loans is repayable in 40 structured monthly installment ranging from ₹ 540 lacs to 1,080 lacs commencing from June 1,2013.

Indian Rupee term loan ₹ NIL (previous year ₹ 25,710.17 lacs) and foreign currency term loan ₹ NIL (previous year ₹ 163.26 lacs) were secured by way of first mortgage/charge on all the immovable properties wherever situated and hypothecation off all other assests, rights etc., present and future, of the Company on pari passu basis. The lenders have vacated such charge during the year.

Loan from financial institutions ₹ NIL (previous year ₹ 7,000 lacs were secured against first charge by way of hypothecation on the entire current assests including inventories, stores and spares, receivables, loans and advances and movable assets including but not limited to money receivable, investments, intangibles present and future and Demand Promissory Notes executed by the Company. The lenders have vacated such charge during the year.

6. DEFERRED TAX LIABILITIES

	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Deferred tax liability		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**2,190.79**	2,180.58
Others	**5.55**	5.18
DEFERRED TAX LIABILITIES	**2,196.34**	2,185.76

7. PROVISIONS

	Long–term		Short–term	
	As at March 31, 2013 (₹ in lacs)	**As at March 31, 2012 (₹ in lacs)**	**As at March 31, 2013 (₹ in lacs)**	**As at March 31, 2012 (₹ in lacs)**
Provision for employee benefits				
Provision for gratuity	**–**	13.44	**11.46**	3.48
Provision for leave benefits	**51.33**	43.79	**1.81**	7.83
Provision for continuity linked bonus	**10.56**	36.29	**22.09**	23.25
	61.89	93.52	**35.36**	34.56
Other Provision				
Provision for income tax (net of advance tax)	**–**	–	**119.42**	–
	–	–	**119.42**	–
TOTAL	**61.89**	93.52	**154.78**	34.56

8. SHORT TERM BORROWINGS

	As at March 31, 2013 (₹ in lacs)	**As at March 31, 2012 (₹ in lacs)**
Short Term Loan		
Loans & advances from related parties		
– From Bhilwara Energy Limited (Holding Company)	**–**	2,207.01
TOTAL	**–**	2,207.01

Term loan from holding company was unsecured. The loan granted and interest thereon was repayable on demand. The loan carried an interest rate of 15.25% per annum.

9. TRADE PAYABLE AND OTHER CURRENT LIABILITIES

	As at March 31, 2013 (₹ in lacs)	**As at March 31, 2012 (₹ in lacs)**
Trade payable	**54.36**	58.52
Other current liabilities		
Current maturities of long term borrowings	**2,700.00**	14,731.80
Payable to related party	**–**	50.42
Sundry deposits	**11.28**	36.76
Statutory dues payable	**39.43**	26.42
TOTAL	**2,750.71**	14,845.40

10. TANGIBLE ASSETS AND INTANGIBLE ASSETS

(₹ in lacs)

	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 April 1, 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	5.99	9.97	97.79	4.97	4.97
Disposals		–	–	–	–	2.59	0.30	7.72	9.47	20.08	55.42	55.42
As at March 31, 2012	215.17	3,258.51	18,474.66	1,996.70	9,581.79	41.43	63.61	58.60	113.04	33,803.51	66.53	66.53
Additions		–	–	–	5.25	2.42	0.87	4.06	–	12.60	0.72	0.72
Disposals		–	–	–	99.52	9.53	18.51	9.67	8.64	145.87	–	–
As at March 31, 2013	**215.17**	**3,258.51**	**18,474.66**	**1,996.70**	**9,487.52**	**34.32**	**45.97**	**52.99**	**104.40**	**33,670.24**	**67.25**	**67.25**
Depreciation												
As at April 1, 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 March 31, 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
Charge for the period	–	97.41	1,203.67	105.49	566.22	3.23	2.72	3.35	9.82	1,991.91	4.98	4.98
Disposals	–	–	–	–	79.19	7.47	15.19	9.00	6.71	117.56	–	–
As at March 31, 2013	**–**	**915.08**	**9,863.44**	**1,227.59**	**5,468.55**	**29.96**	**34.62**	**31.34**	**75.44**	**17,646.02**	**61.18**	**61.18**
Net Block												
As at March 31, 2013	**215.17**	**2,343.43**	**8,611.22**	**769.11**	**4,018.97**	**4.36**	**11.35**	**21.65**	**28.96**	**16,024.22**	**6.07**	**6.07**
As at March 31, 2012	215.17	2,440.84	9,814.89	874.60	4,600.27	7.23	16.52	21.61	40.71	18,031.84	10.33	10.33

Notes :
1) Building includes cost of road Rs.1,228.38 lacs (Previous year 1,228.38 lacs) constructed on forest land diverted for the project under irrevocable right to use.
2) Transmission Lines includes Rs.41.81 lacs (Previous year ₹ 41.81 lacs) towards cost of land and compensation paid to Forest Department for construction of Transmission towers under irrevocable right to use.

11. NON CURRENT INVESTMENTS

	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
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 (pledged with security trustee on behalf of lenders of AD Hydro Power Limited)	**49,295.56**	49,295.56
TOTAL	**49,295.56**	49,295.56

12. LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	Long–term		Short–term	
	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Capital advances				
Advance for bara banghal project (including ₹ 537.86 lacs towards consultancy and other expenses on the project) (Unsecured, considered doubtful)	**6,660.77**	6,657.71	**–**	–
Less : Provision against upfront premium/other expenditure for bara banghal (refer note 32)	**(3,597.71)**	(3,597.71)	**–**	–
Advance tax (net of provision ₹ 4,343.70 lacs, previous year ₹ 6,567.95 lacs)	**133.32**	217.40	**–**	–
Loans and advances to holding company	**–**	–	**–**	12.08
Loans to employees	**11.27**	13.59	**6.34**	6.82
Security deposits	**32.25**	32.09	**–**	–
Advances recoverable in cash and kind	**–**	–	**128.12**	167.79
Loans & advance to subsidiary company (refer note 33)	**46,380.00**	46,380.00	**2.59**	5,816.57
TOTAL	**49,619.90**	49,703.08	**137.05**	6,003.26

13. OTHER NON CURRENT ASSETS

(Unsecured, considered good unless stated otherwise)

	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Interest accrued on loan given to subsidiary company (refer note 33)	**7,461.13**	7,461.13
Surrender value of keyman insurance policy	**17.10**	15.64
TOTAL	**7,478.23**	7,476.77

14. INVENTORIES

(valued at lower of cost and net realisable value)

	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Stores and spares [including material lying with third parties ₹ 1.17 lacs (previous year ₹ 1.09 lacs)]	**216.14**	184.19
TOTAL	**216.14**	184.19

15. TRADE RECEIVABLES (CURRENT)

	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Unsecured, considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they are due for payment	–	–
Other receivables	**84.94**	152.00
TOTAL	**84.94**	152.00

16. CASH AND BANK BALANCES

	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Cash and cash equivalents		
Balances with banks in:		
– Current accounts	**1,606.00**	213.97
Cash on hand	**5.10**	4.31
	1,611.10	218.28
Other bank balances		
Margin money deposit (held as security)	**27.51**	16.83
Deposits with original maturity for more than 3 months but less than 12 months	**2.00**	2.00
	29.51	18.83
TOTAL	**1,640.61**	237.11

Fixed Deposit of ₹ 2.00 lacs (previous year ₹ 2.00 lacs) pledged with the H.P. Government Sales Tax Department

17. OTHER CURRENT ASSETS

	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Interest accrued on bank deposits	**2.26**	1.45
TOTAL	**2.26**	1.45

18. REVENUE FROM OPERATIONS

	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Revenue from operations		
Sale of power	**9,462.41**	10,897.03
Revenue from operations (gross)	**9,462.41**	10,897.03
Less : Discount on prompt payments	**119.15**	157.66
Less : Handling charges	**79.22**	88.15
Less : Unscheduled interchange charges / (credit)	**253.24**	(101.59)
Less : Professional charges	**12.40**	9.71
REVENUE FROM OPERATIONS (NET)	**8,998.40**	10,743.10

19. OTHER INCOME

	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Interest on bank deposits	**17.06**	141.80
Interest on Income tax refund	**12.46**	–
Sale of voluntary emission reductions (VER)	**103.02**	170.67
Expenses on sale of voluntary emission reductions (including commission)	**(15.94)**	(41.50)
Excess provision/ credit balances written back	**–**	13.10
Surrender value of keyman insurance policy	**1.46**	5.43
Miscellaneous income	**8.41**	5.07
TOTAL	**126.47**	294.57

20. EMPLOYEE BENEFITS EXPENSES

	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Salaries, wages and bonus	**442.06**	425.10
Director's remuneration	**119.38**	113.35
Contribution to provident and other funds	**28.67**	28.56
Gratuity expenses (refer note 34)	**11.46**	16.92
Workmen and staff welfare expenses	**41.02**	34.73
TOTAL	**642.59**	618.66

21. OTHER EXPENSES

	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Rent	**37.09**	38.82
Power and fuel	**43.38**	32.64
Repair and maintenance		
– Buildings	**8.36**	3.88
– Plant and machinery	**247.08**	632.68
– Others	**32.60**	10.98
Rates and taxes	**1.89**	2.35
Insurance	**153.71**	139.03
Payment to auditor (Refer detail below)	**12.73**	12.41
Director's commission*	**–**	–
Communication costs	**20.88**	20.69
Printing and stationery	**5.98**	6.57
Travelling and conveyance	**61.03**	74.71
Membership fees and subscriptions	**8.93**	15.83
Legal and professional fees	**61.18**	80.01
Exchange fluctuation (net)	**11.88**	28.84
Social welfare expenses	**8.59**	6.77
Loss on fixed assets sold/discarded (net)	**19.26**	0.97
Balances/Advances written off	**–**	9.70
Miscellaneous expenses	**122.50**	98.36
TOTAL	**857.07**	1,215.24

*The Board of Directors have decided that the commission to managing director is not to be paid for the year ended March 31, 2013.

	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Payment to Auditor		
As auditor:		
– Audit fee	**6.74**	6.61
– Fees for international reporting	**3.37**	3.31
In other capacity		
– Fees for other services	**2.25**	2.21
– Out of pocket expenses	**0.37**	0.28
TOTAL	**12.73**	12.41

22. DEPRECIATION AND AMORTISATION EXPENSES

	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Depreciation on tangible assets	**1,991.91**	1,990.66
Amortization of Intangible assets	**4.98**	1.62
TOTAL	**1,996.89**	1,992.28

23. FINANCE COST

	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Interest		
– on term loans from banks and financial institutions	**2,982.85**	3,810.72
– on debentures	**3.26**	19.57
– on loan from holding company	**197.60**	49.15
– on Income Tax	**14.72**	–
Upfront fees and loan processing charges	**85.67**	94.47
Other bank charges	**35.32**	8.39
Exchange difference to the extent considered as an adjustment to borrowing costs	**–**	7.76
TOTAL	**3,319.42**	3,990.06

24. EARNINGS PER SHARE (EPS)

	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
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	**1,568.82**	2,460.64
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 ₹ (face value of ₹ 10)	**1.06**	1.67

25. 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.

26. The Company is eligible for tax holiday under Section 80–IA of the Income Tax Act, 1961. The Company is liable to pay Income–Tax for the period under the provisions of Section 115JB of the Income–Tax Act, 1961.

27. CONTINGENT LIABILITIES NOT PROVIDED FOR

(a) Guarantee given for loans availed by AD Hydro Power Limited, subsidiary Company, amounting ₹ 8,000.00 lacs (Previous year ₹ 8,000.00 lacs).

(b) Claims made against the Company not acknowledged as debts – Demand from Divisional Forest Officer in respect of damages to forest trees ₹ Nil (Previous year – ₹ 25.90 lacs).

(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 under the Income Tax Act, 1961 and raised a demand of ₹ 43.88 lacs. In response to appeal filed by the Company, part relief has been granted by the Commissioner of Income Tax (Appeals). Income tax department and the Company have preferred further appeal before the ITAT, New Delhi, which is pending for hearing.

(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 and other expenses under the Income Tax Act, 1961 and raised a demand of ₹ 55.81 lacs. In response to appeal filed by the Company, part relief has been granted by the Commissioner of Income Tax (Appeals). Income tax department and the Company have preferred further appeal before the ITAT, New Delhi, which is pending for hearing.

Based on expert inputs, management believes that these 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.

28. CAPITAL AND OTHER COMMITMENTS

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

b) At March 31, 2013, 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).

29. 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
Fellow Subsidiary Companies	Indo Canadian Consultancy Services 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 lacs)

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	
	2012–13	2011–12	2012–13	2011–12	2012–13	2011–12	2012–13	2011–12	2012–13	2011–12
Transactions during the year										
Rent										
a) Mrs.Rita Jhunjhunwala	**–**	–	**–**	–	**–**	–	**16.01**	15.29	**–**	–
b) Mr. Rishabh Jhunjhunwala	**–**	–	**–**	–	**–**	–	**15.53**	14.84	**–**	–
c) Mr. Riju Jhunjhunwala	**–**	–	**–**	–	**–**	–	**15.53**	14.84	**–**	–
d) Rajasthan Spinning and Weaving Mills Limited	**–**	–	**–**	–	**–**	–	**–**	–	**36.92**	38.78

(₹ in lacs)

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	
	2012–13	2011–12	2012–13	2011–12	2012–13	2011–12	2012–13	2011–12	2012–13	2011–12
Consultancy service charges paid to Indo Canadian Consultancy Services Limited	–	–	6.58	16.55	–	–	–	–	–	–
Remuneration paid to Mr. Ravi Jhunjhunwala,	–	–	–	–	119.38	113.35	–	–	–	–
Reimbursement of expenses paid to HEG Limited	–	–	–	–	–	–	–	–	2.97	2.70
Reimbursement of expenses paid to RSWM Limited	–	–	–	–	–	–	–	–	18.60	15.40
Reimbursement of expenses paid to Bhilwara Energy Limited	2.31	33.74	–	–	–	–	–	–	–	–
Reimbursement of expenses recovered from Bhilwara Energy Limited	53.50	44.19	–	–	–	–	–	–	–	–
Interest on short term loan from Bhilwara Energy Limtied	197.60	49.15	–	–	–	–	–	–	–	–
Reimbursement of expenses paid to Indo Canadian Consultancy Services Limited	–	–	–	0.02	–	–	–	–	–	–
Reimbursement of expenses paid to AD Hydro Power Limited	–	–	28.45	20.32	–	–	–	–	–	–
Reimbursement of expenses recovered from AD Hydro Power Limited	–	–	5.36	1.15	–	–	–	–	–	–
Unsecured Loan repaid to Bhilwara Energy Limited (including interest)	5,607.01	2,842.13	–	–	–	–	–	–	–	–
Unsecured Loan taken from Bhilwara Energy Limited	3,400.00	4,000.00	–	–	–	–	–	–	–	–
Unsecured Loan repaid by AD Hydro Power Limited	–	–	13,444.11	3,594.26	–	–	–	–	–	–
Unsecured Loan given to AD Hydro Power Limited	–	–	7,644.11	12,108.02	–	–	–	–	–	–
Deposit taken from Bhilwara Energy Limited	–	1,403.15								
Balances outstanding as at the year end										
Balances Receivable:										
Receivable from AD Hydro Power Limited (Reimbursements)			2.59	16.57						
Investment in AD Hydro Power Limited	–	–	49,295.56	49,295.56	–	–	–	–	–	–
Unsecured Loan recoverable from AD Hydro Power Limited	–	–	46,380.00	52,180.00	–	–	–	–	–	–
Receivable from Bhilwara Energy Limited	–	12.08	–	–	–	–	–	–	–	–
Interest amount recoverable on Unsecured Loan	–	–	7,461.13	7,461.13	–	–	–	–	–	–
Balances Payable:										
Loan outstanding from Bhilwara Energy Limited	–	2,207.01	–	–	–	–	–	–	–	–
Indo Canadian Consultancy Services Limited	–	–	–	14.91	–	–	–	–	–	–
Guarantees given by the Company on behalf of AD Hydro Power Limited	–	–	8,000.00	8,000.00	–	–	–	–	–	–

* Remuneration paid does not include provision made for compensated absences and gratuity as the same are determined for the Company as a whole.

30. 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.

31. 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 lacs)

Particulars	**For the year ended March 31, 2013**	For the year ended March 31, 2012
Lease payments for the year	**37.09**	38.82

32. (a) In 2010–11, the Company had given an upfront premium of ₹ 6,120.00 lacs 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 ₹ 540.76 lacs 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 Company, in the year 2010–11, had created a provision of 50% of the upfront premium of ₹ 3,060.00 lacs and entire expenses incurred of ₹ 537.71 lacs till March 31, 2011 (i.e. total provision of ₹ 3,597.71 lacs) in respect of this project.

While the Company has applied for de–notification of area falling under Dhauladhar Wildlife Sanctuary, considering the lengthy process involved and uncertainty of such de–notification, the Company had submitted an application for development of 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 Company has signed a Supplementary Pre–Implementation Agreement dated December 3, 2012 with the Government of Himachal Pradesh. Currently, the Company is in process of carrying out Detailed Project Report (DPR) and assessing viability for the project after which Implementation Agreement will be signed. 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 lacs 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.

33. The Company has given loan to its subsidiary, AD Hydro Power Limited of which ₹ 46,380.00 lacs (principal amount) is outstanding at year end (Previous year ₹ 52,180.00 lacs).

In view of losses, the subsidiary Company requested the Company to waive off the interest with effect from September 17, 2010 till the time the subsidiary Company's operations become profitable. The Board of Directors in their meeting dated March 29, 2011, approved such request of the subsidiary. As the subsidiary company has continued to report losses till March 31, 2013, interest amounting to ₹ 5,227.19 lacs for the year ended March 31, 2013 (previous year ₹ 5,272.52 lacs) has not been charged from the subsidiary company.

34. 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, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Current Service Cost	7.07	6.05
Interest cost on benefit obligation	5.92	4.59
Expected return on plan assets	(5.42)	(3.61)
Net actuarial (gain)/ loss recognised in the year	3.90	9.89
Net benefit expense	11.46	16.92
Actual return on plan assets	7.31	3.85

Details of Provision for Gratuity:

Particulars	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Defined benefit obligation	92.72	73.94
Fair value of plan assets	81.26	57.02
Surplus / (Deficit)	(11.46)	(16.92)
Less: Unrecognised past service cost	–	–
Net asset / (liability) recognized in Balance Sheet	(11.46)	(16.92)

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

Particulars	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Opening defined benefit obligation	73.94	54.00
Interest cost	5.92	4.59
Current service cost	7.06	6.05
Benefits paid	–	(0.83)
Actuarial (gains)/ losses on obligation	5.80	10.13
Closing defined benefit obligation	92.72	73.94

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

Particulars	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Opening fair value of plan assets	57.02	45.13
Expected return	5.42	3.61
Contributions by employer	16.92	8.87
Benefits paid	–	(0.83)
Actuarial gains / (losses)	1.90	0.24
Closing fair value of plan assets	81.26	57.02

The defined benefit obligation amounting to ₹ 92.72 lacs is funded by assets amounting to ₹ 81.26 lacs and the Company expects to contribute ₹ 12.61 lacs during the next year

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, 2013	For the year ended March 31, 2012
	%	%
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, 2013**	For the year ended March 31, 2012
	%	%
Discount Rate	**8.00**	8.50
Expected rate of return on assets	**9.50**	8.00
Future Salary Increase	**5.50**	6.00
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 lacs)

Particulars	**For the year ended March 31, 2013**	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
Defined benefit obligation	**92.72**	73.94	54.00	43.63	51.33
Plan assets	**81.26**	57.02	45.13	44.10	41.30
Surplus / (deficit)	**(11.46)**	(16.92)	(8.87)	0.47	(10.02)
Experience adjustments on plan liabilities	**(5.53)**	(10.31)	(3.47)	0.24	(2.60)
Experience adjustments on plan assets	**2.75**	(0.23)	(0.20)	5.47	0.02

Defined Contribution Plan (₹ in lacs)

Particulars	**For the year ended March 31, 2013**	For the year ended March 31, 2012
Contribution to Provident Fund	**21.35**	20.80
Contribution to Superannuation Fund	**4.00**	4.00
Total	**25.35**	24.80

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

35. PARTICULARS OF UNHEDGED FOREIGN CURRENCY EXPOSURE AS AT THE BALANCE SHEET DATE

Particulars	**March 31, 2013**	March 31, 2012
Foreign Currency Loan	**NIL**	₹ 163.26 lacs (USD 3.20 lacs @ closing rate of 1USD=₹ 51.02)

36. IMPORTED AND INDIGENOUS STORES AND SPARE PARTS CONSUMED (INCLUDED UNDER RESPECTIVE HEADS OF PROFIT & LOSS ACCOUNT) :

Particulars	**Percentage of total consumption**		**Value (₹ in lacs)**	
	2012–13	2011–12	**2012–13**	2011–12
Stores & Spares				
– Imported	**–**	–	**–**	–
– Indigenously obtained	**100**	100	**47.60**	486.64
Total	**100**	100	**47.60**	486.64

37. EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)

Particulars	2012–13 (₹ in lacs)	2011–12 (₹ in lacs)
Others (Sale of Voluntary Emission Rights)	**103.02**	170.67

38. EXPENDITURE IN FOREIGN CURRENCY, NET OF TDS (ACCRUAL BASIS)

Particulars	2012–13 (₹ in lacs)	2011–12 (₹ in lacs)
Travelling and Conveyance	**1.85**	8.30
Membership fees and subscriptions	**–**	15.36
Repair and maintenance – Others	**3.44**	–

39. PREVIOUS YEAR'S FIGURES

Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

As per our report of even date

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

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : 26th August, 2013

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. F–6459

Place : Noida
Dated : 26th August, 2013

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, 2013
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. F–6459

Place : Noida
Dated : 26th August, 2013