ANNUAL REPORT

OF

MPCL

MALANA POWER

MALANA POWER COMPANY LIMITED

CIN No. U40101HP1997PLC019959

CORPORATE INFORMATION

CHAIRMAN & MANAGING DIRECTOR
Mr. Ravi Jhunjhunwala

DIRECTORS
Ms. Tima Iyer Utne
Dr. Kamal Gupta
Mr. Lars Esen Ellegard
Mr. R. P. Goel
Mr. Bidyut Shome

KEY EXECUTIVES
Mr. O. P. Ajmera, Chief Executive Officer
Mr. V. D. Bhatia, Vice President (Operations)
Mr. H. S. Beshtoo, In-Charge (Operations)

COMPANY SECRETARY
Mr. Arvind Gupta

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

INTERNAL AUDITORS
M/s Ashim Agarwal & Associates

TECHNICAL CONSULTANTS
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.)
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Fax : 01902 – 276078
E–mail – mpcljari@sancharnet.in

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

CHAIRMANS' SPEECH

Dear Stakeholder,

Since its formation in May 2014, the focus for the new Government has been to bring back growth in the Indian Economy, which had been characterized by contraction in industrial output due to sluggish demand and paralysis in Government decision making. Any revival has to be supported by well-developed infrastructure. Energy is a key component of the infrastructure & development. Recognizing this fact, there has been a consolidation of all the energy ministries and departments (except for Ministry of Petroleum) under one single roof to ensure uniformity and consistency in policy formulation. The Government has taken targets of ensuring 24x7 power supply to all the citizens across the country in next 5 years. This is a difficult but achievable target requiring out-of-the-box policy decisions; swift policy implementation through overhauling of generation, transmission and distribution systems and; effective monitoring.

On the Demand side, the energy demand has remained subdued with the growth in energy demand being recorded at 0.7%, which has been the lowest in the decade. This is attributed to reduced industrial and manufacturing activity, which accounts for 40% share in power consumption. Accordingly the base energy demand-supply gap and peak energy demand-supply energy dap has narrowed down to 4.2% and 4.5% respectively in 2013-14. The base energy deficit used to hover around 8.5% to 11% during 2004-05 to 2012-13. Similarly the peak energy gap used to hover in between 9% to 16% during this period. While the Government is committed to increase the per capita energy consumption, it is taking steps to ensure that power is made available to all whether it is urban or rural, domestic or industrial.

On the supply side, the fuels constraints have been aggravated by the cancellation of the allotment of coal blocks by Hon'ble Supreme Court vide its order on 24th September 2014. The Government is working on modalities for re-auction of these de-allocated and new coal blocks, specifically for energy sector, which should result in revival of the thermal power projects developed on the basis of these coal blocks.

The hydro power sector has also been going through a lean patch. The operational projects failed to plug the power deficit gap during summers of 2014 on account of late rainfall. The projects under execution faced issues related to environment and infrastructural gaps resulting in massive slippages in commissioning timelines.

With the integration of Southern Grid with the NEWNE Grid, new consumers, especially power deficient, have been added. This provides opportunity to NEWNE based power producers to supply power to consumers in Southern India. The poor financial health of distribution companies has restrained them from buying power and instead, encouraged them to resort to load shedding in Tier II and III cities. This has resulted in slumping of power prices in short term markets as well as distorted peak power deficit numbers.

The financial year 2013-14 has not been very encouraging year for the Company Hydro Business as merchant power prices have gone down substantially. This has adversely affected the profitability of the Company.

In view of the long term outlook for power demand being strong, it is estimated that the current demand of 900 billion units is likely to be increased to 1350 billion units by 2017. With the positive attitude of the Government towards reforms and its commitment to provide power to all by 2019, the future outlook of the power sector certainly offers hope.

On behalf of the Board of Directors, I would like to express our sincere gratitude to the Ministry of Power and Ministry of Environment & Forests, Government of India; Central Electricity Authority, Government of Himachal Pradesh, other government agencies, Financial Institutions and Commercial Banks, 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

DIRECTORS' REPORT

To the Members

Malana Power Company Limited

The Directors of the Company are pleased to present their Seventeenth Annual Report on the business and operations of the Company and Audited Statement of accounts for the year ended 31st March, 2014 together with the Auditors' Report.

1. FINANCIAL PERFORMANCE

(₹ in million)

Particulars	For the Year ended 31.03.2014	For the Year ended 31.03.2013
Total Turnover	**700.352**	946.241
Less : Discount On Prompt Payments / Unscheduled Interchange Charges	**32.424**	46.401
Net Sales	**667.928**	899.840
Other Income	**13.603**	12.647
Total Income	**681.531**	912.487
Profit Before Interest, Depreciation And Tax	**474.598**	729.075
Interest	**300.218**	331.942
Profit Before Depreciation And Tax	**174.380**	397.133
Depreciation	**198.500**	199.689
Profit Before Tax And Prior Period Items	**(24.120)**	197.444
Prior Period Expenses (Travelling Expenses)	**-**	-
Profit Before Tax	**(24.120)**	197.444
Provision For Tax - Current Tax - Deferred Tax Charge/(Credit)	**-** **0.074**	39.504 1.058
Net Profit After Depreciation, Interest And Tax (Pat)	**(24.194)**	**156.882**
Balance Brought Forward From Previous Year	**4768.866**	4609.207
Amount Available For Appropriation	**4744.672**	4766.089
Appropriation Transfer From Debenture Redemption Reserves	**-**	2.777
Surplus carried to Balance sheet	**4744.672**	4768.866
Basic and Diluted Earning Per Share (EPS)	**(0.16)**	1.06

2. OPERATIONS

The generation during the year stood at 318.259 Million Kwh as compared to 333.077 Million kWh in the previous year. The plant availability for generation of power was 99.53%.

The operation data for the year is as given below:

(in million units)

S. No.	Particulars	2013-14	2012-13
1	Total Generation	318.259	333.077
2	Less: Auxiliary & Transformation Loss	2.891	3.734
3	Less: Royalty/Wheeling to Govt. of HP	67.954	60.599
4	Less: Impact of Unschedule Interchange Energy /PoC Loss	8.802	8.019
5	Total Units sold	238.612	260.725

3. DIVIDEND

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

4. SUBSIDIARY COMPANY: AD HYDRO POWER LIMITED

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

The Annual Report for the Financial Year 2013- 14 and Accounts for the year ended on 31st March, 2014, as required under Section 129 of the Companies Act, 2013 of the said subsidiary company, is attached with the Annual Report.

5. NEW PROJECT: BARA BANGHAL HEP

The Company was allotted 200 MW Bara Banghal HEP on River Ravi in Indus Basin located in District Chamba of Himachal Pradesh. Some part of project falls under Dhauladhar Wild Life Sanctuary (DWLS). To mitigate this issue, the Company is contemplating to implement the project in two stages:

i. the first stage (capacity of 92MW) to be developed outside the DWLS, and

ii. the second stage to be taken up for implementation after de-notification of area falling under DWLS.

Accordingly the Company had approached the State Govt. of Himachal Pradesh (GoHP) to develop the project in two phases, which was approved by the State Government in August 2012. Supplementary Pre-Implementation Agreement (SPIA) with GoHP for Bara Banghal HEP Stage-I (92 MW) was signed on 3rd December 2012. Field investigations, topographical survey and Detailed Project Report (DPR) for 92 MW Stage–I is in progress. For Stage-II, the study on the impact of implementation is under progress.

6. INDUSTRY POTENTIAL& DEVELOPMENT

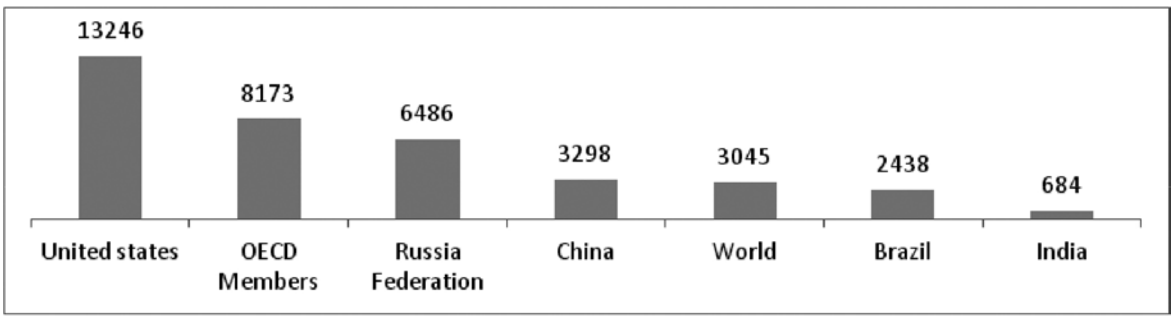
The all India installed power generation capacity as on 31.08.2014 was 253389.49 MW which includes 40798.76 MW generation from hydro power, the rest from the thermal, nuclear and renewable energy sources. To fulfill the objectives of the National Electricity Policy, a capacity addition of 17825.01 MW was achieved against the target of 11663.31 MW during the FY 2013-14.

As regards hydro potential, India has an estimated hydro potential of about 1,50,000 MW of which only about 40798.76 MW (as on 31.08.2014) has been commissioned so far. The bulk of the unharnessed potential is located in the hill states of Himachal, Uttarakhand, Arunachal Pradesh and Sikkim. The above industry scenario signifies that there is an ample opportunity for consistent growth of the business in hydro, thermal and renewable energy sector in the times to come.

ELECTRICITY DEMAND

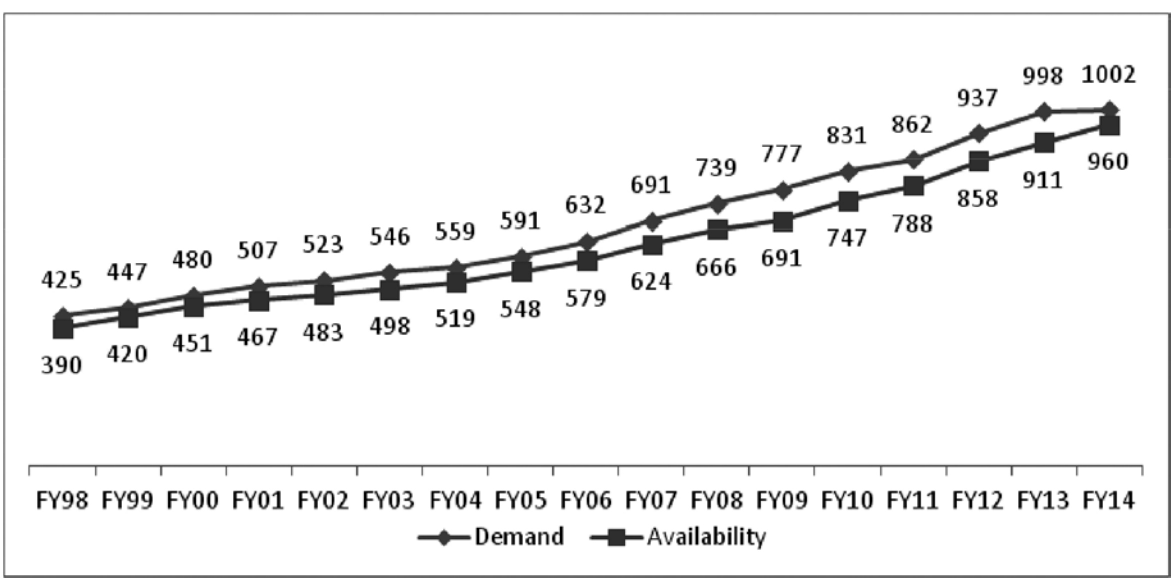
Per capita consumption of electricity in India has grown from 435 kWh/year in Fiscal 2003 to 917.18 kWh/year in Fiscal 2013 according CEA. According to the International Energy Agency (IEA) per capita consumption in India remains relatively low compared to other leading developed and emerging economies.

Per Capita Electricity Consumption in Large Economies



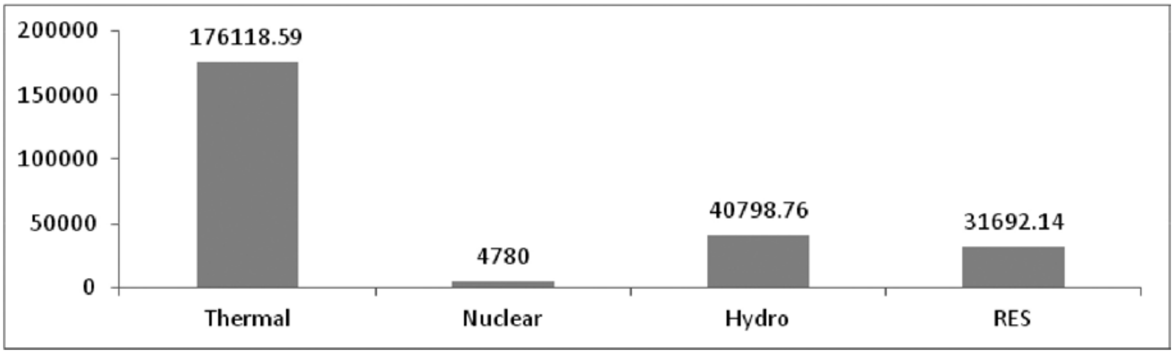
Source: World Data Bank (2011 data)

The low per capita electricity consumption in India compared to the world average presents potential for sustainable growth in demand. Even at the consumption levels of recent years, demand for electricity in India is substantially higher than the available supply. For Fiscal 2014, India faced an energy shortage of approximately 4.2% of total energy requirements and 4.5% of peak demand requirements.



Source: CEA, Load Generation Balance Report, 2013-14

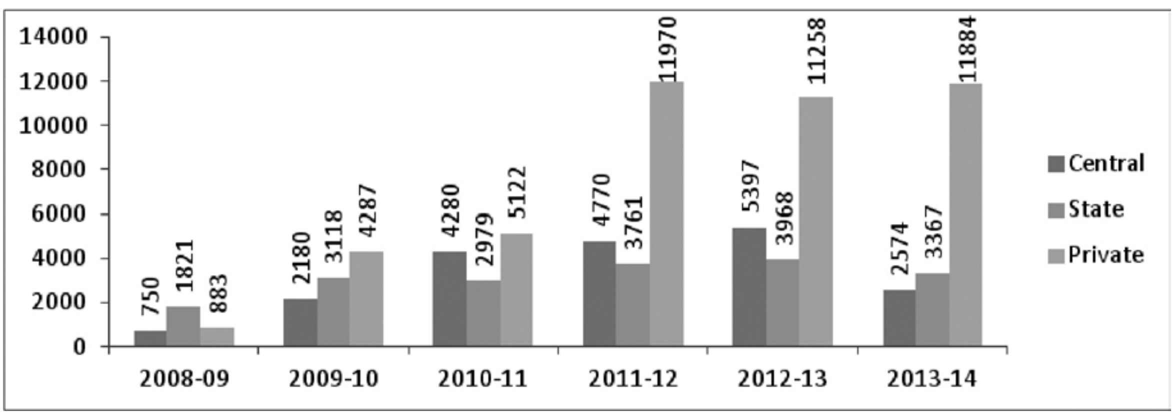
All India generating installed capacity by fuel (MW) as on 31st August, 2014 is as under:



Source: CEA

To sustain the GDP growth rate of India @ 8% + per annum, India needs the power sector to grow at 1.8 to 2 times the GDP rate of growth as supposed by economic planners and industry experts. This would mean year on year capacity additions of 18000 to 20000 MW to achieve this ambitious plan of moving India to a developed economy status as an economic global power house. The power sector will provide biggest avenues to participate in the development of India's infrastructure.

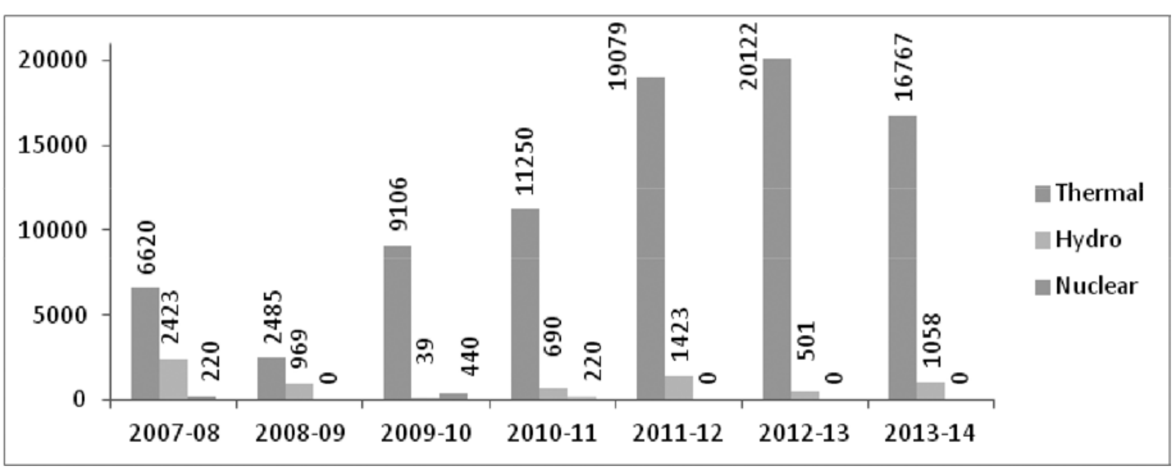
Power capacity addition by Sector (in MW) during 2008-09 to 2013-14:



Source: CEA

In the medium term, thermal power is likely to remain the major source of generation as the coal based (pit head plants)/gas based projects presently have a competitive tariff advantage over renewable energy projects.

Power Capacity addition by fuel (in MW) during 2007-08 to 2013-14:



Source: CEA

Note: Thermal plant includes plant based on fuel such as lignite, coke, residual oil, gas/naphtha and coal.

According to CEA capacity of 88537 MW is expected to be added in 12th Five Year Plan, inter-alia including 72340 MW in Thermal, 10897MW in Hydro and 5300 MW in Nuclear. There has been a record capacity addition of 54962 MW in power sector during the 11th plan.

POLICY & REGULATORY FRAMEWORK

Being a highly regulated sector, policies and regulations are playing a pivotal role in the development of this sector. Over the years, the government has realized the importance of the private sector participation. The Electricity Act, 2003 was a turning point in the reforms process which removed the need for license for generation projects, encouraged competition through international competitive bidding, identified transmission as a separate activity and invited a wider public and private sector participation among other things. Several path-breaking regulations such as standard bidding guidelines, open access, multi-year tariff regime and so on, are in place. However, while the regulations are all there, what is lacking is their implementation.

The power sector in India involves governance by the Central and State Regulatory Agencies. The three chief regulators for the power sector are Central Electricity Regulatory Commission, Central Electricity Authority and the State Electricity Regulatory Commission(s).

OPPORTUNITIES

As Indian Economy continues to grow, it is expected that India's energy consumption will grow as well. The Government of India expects that power requirements would double by 2020 to 4,00,000 MW. Wider participation from the private sector is invited with the new government in place. According to CRISIL research, it estimates about Rs. 7,50,000 Crore is likely to be invested in the power sector by 2014-15. Of this Rs. 4,80,000 Crore is expected to be invested in power generation space. Nearly half of the investments in the power generation space are likely to be made by the private sector. Along with generation this has opened up opportunities in transmission sector as well. ***As per Section 80 –IA of Income Tax Act, 1961, power generation companies are eligible for 100% deduction of the profits for 10 consecutive years during the first 15 years of operations. The benefit under this section was earlier available only until FY 2013 which has now been extended till FY 2017.*** This will be of a major advantage to project developers, as it will substantially reduce their tax burden at least till 2017.

CHALLENGES

India has historically failed to meet its power sector targets by a significant margin and has tremendous opportunities ahead. The power sector continues to be affected by a shortfall both on generation as well as on transmission side. There has been lack of adequate supply of balance of plant equipment and shortage of construction equipment, as well. Power plants and utilities face major constraints and delays regarding the availability of land and obtaining the requisite environment and other clearances for the projects. Increasing power generation costs due to limited fuel availability, poor financial health of State Discoms, high AT&C losses have contributed in suppressed demand projections by State Discoms. Theft of electricity in most parts of India is a matter of concern. Hydro power projects development does not have the momentum due to the uncertainties of land acquisition, rehabilitation & resettlement issues, environment & forest clearances, inter-state issues and contractual disputes. Moreover, even after best geological investigations, existence of shear zones and water bodies may result in serious time and cost over-runs.

OUTLOOK

In view of the ongoing operations, the future outlook of the Company is positive.

7. DIRECTORS

Your Directors inform the members that Mr. L.N. Jhunjhunwala, Chairman-Emeritus and the founder of the Group expressed his desire to relinquish the office of Director, so to devote his time to philanthropic activities where he has been deeply involved for a long time. Your Directors respecting his desire accepted the request to resign from the Board but urged upon him in all earnestness to continue as the Chairman – Emeritus, which he has very kindly accepted. Your Directors honour and taken pride in the contribution of Mr. L.N. Jhunjhunwala since the inception of the Company and his unparalleled efforts over many years to bring the Company to its present position.

During the year Mr. Erik Knive resigned from the position of Director from Board of the Company with effect from 11th March, 2014. The Board placed on record its sincere appreciation for the services rendered by him during his tenure as Director.

Mr. Bidyut Shome and Mr. Lars Espen Ellegard, Directors would retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

During the year Ms. Tima Iyer Utne was appointed as Additional Director in place of Mr. Erik Knive with effect from 11th March, 2014. Her appointment/ confirmation as Director has been included in the Notice convening the ensuing Annual General Meeting.

8. AUDIT COMMITTEE AND REMUNERATION 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. The proceedings of the Committee have been in accordance with the provisions of the Companies Act, 1956.

During the year the company has reconstitute the Audit and Remuneration Committee by inducting Ms. Tima Iyer Utne as member of these committees in place of Mr. Erik Knive.

The members of the Audit Committee are Mr. Ravi Jhunjhunwala, Dr. Kamal Gupta and Ms. Tima Iyer Utne.

The Company has also constituted Remuneration Committee, members being Dr. Kamal Gupta, Mr. R.P. Goel and Ms. Tima Iyer Utne.

9. 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.

10. 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 2013-14.

iii. That the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 (and under the Companies Act, 1956 to the extent applicable) 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.

11. PUBLIC DEPOSITS

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

12. 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-I to the Directors' Report.

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

Information required to be disclosed under Section 134(3)(m) of the Companies Act, 2013(earlier 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 II, forming part of this Report.

14. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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.

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.

15. AUDITORS' REMARKS

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

16. AUDITORS

16.1 STATUTORY AUDITORS

M/s.S.R. Batliboi & Co. LLP, Chartered Accountants (ICAI Firm Registration No.301003E), Statutory Auditors of the Company, shall retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

As required under the provisions of Section 139 of the Companies Act, 2013 (earlier Section 224(1B) of the Companies Act, 1956), the Company has obtained a written consent and a certificate from the Statutory Auditors to the effect that their reappointment, if made, would be in accordance with the conditions as may be prescribed and they fulfill the criteria laid down in Section141 of the Companies Act, 2013.

Based on the recommendations of the Audit Committee, the Board has recommended the appointment of M/s.S.R. Batliboi & Co. LLP, Chartered Accountants (ICAI Firm Registration No.301003E) as Statutory Auditors of the Company for a period of one year.

16.2 COST AUDITORS

For the financial year 2014-15, the Board of Directors of the Company had re-appointed, on the recommendation of the Audit Committee, M/s K.G. Goyal & Co., Cost Accountants (Firm Registration No. 0017) as Cost Auditors for auditing the Cost Accounts in respect of 'Electricity' pertaining to various Power Plants of the Company. Their appointment was approved by the Central Government. In terms of the Companies (Cost Audit Report) Rules, 2011, the Cost Audit Report relating to Power plants of the Company, for the Financial Year ended 31st March, 2013 has been filed within due date, with the Cost Audit Branch of the Ministry of Corporate Affairs. The Cost Audit Report for the Financial Year 2013-14 will be filed within the due date.

Pursuant to Section 148 of the Companies Act, 2013 (earlier Section 233B 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 (Firm Registration No. 0017) 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.

17. HUMAN RESOURCE DEVELOPMENT

The Company believes that all commercial activities should be infused with compassionate action to make the work place better and harmonious. The 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. We also have a robust grievance Redressal mechanism 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.

Your Company had conducted a full day Workshop at Malana Hydro Power Plant, JARI on 26.02.2014 for all employees on 'Code of Conduct' and also conducted a session of 'Core Values' of the Company. The Company also conducted a Workshop on Prohibition, Prevention and Redressal of Sexual Harassment of Women at Workplace (SHOW) and formed a Committee in this regard.

18. ENVIRONMENT, HEALTH & SAFETY (EHS)

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.

Your Company had observed 'National Safety Week' by celebrating it at the site location between 4th-11th March 2014 to practice "Safety first thought" that was followed by taking safety pledge in the presence of Management Representative (MR) & Safety officer. Periodical medical health check-up at the site location and in this regard medical health check-up of all employees was conducted between 9th-12th April 2014 & 16th-19th April 2014.

Your Company had celebrated World Environment Day' on 5th June 2014 at the plant site by starting a plantation drive. 'Training workshop on Insurance and Claim Management' was also conducted by Aon Global on 6th June 2014 at Corporate Office, Noida that was attended by the executives of the Company.

19. 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. Running 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 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.

20. ACKNOWLEDGEMENT

The Directors' place on record their sincere appreciation for the co-operation and support received from the Ministry of Power, Government of Himachal Pradesh, Ministry of Corporate Affairs, Central and State Government and other government agencies, Lenders, 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: 6th SEPTEMBER, 2014

ANNEXURE I 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	Experience	Age	Date of Commencement of Employment
Mr. Ravi Jhunjhunwala	Chairman & Managing Director	12.442	B.Com (Hons), MBA	33	59	1.11.2001

ANNEXURE II TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS PURSUANT TO THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

1. **CONSERVATION OF ENERGY –** The Company has always spread awareness for conservation of energy amongst its employees and people at its corporate office and plant location. The Company always uses energy efficient equipments. During the year, there was no requirement of taking up any action in this regard as adequate steps had been taken to conserve energy consumption.
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)

S. No.	Particulars	2013 -14	2012 -13
I	Foreign Exchange Outgo		
	Traveling & Conveyance	**1.050**	0.185
	Legal and Professional Expenses	**0.00**	0.00
	Fees and Subscription	**0.00**	0.00
	Others	**0.430**	0.344
	Total	**1.480**	0.529
II	Foreign Exchange Earnings		
	Others (Sale of Voluntary Emission Rights)	**9.507**	10.302
	Total	**9.507**	10.302

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, 2014, 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 notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Companies Act, 1956 ("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, 2014;

(b) in the case of the Statement of Profit and Loss, of the loss 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, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;

    (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, 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 Kumar Gupta
Partner
Membership Number: 83906
Place of Signature: Noida
Date: September 06, 2014

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) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. 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 ₹ 47,513.48 lakhs and the year-end balance of loan granted to such company was ₹ 46,380 lakhs (excluding interest accrued on the loan amounting to ₹ 7,461.13 lakhs).

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

(c) As informed to us and as per the terms of the Subordinated Loan agreement between the Company and the borrowing Company (AD Hydro Power Limited), 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) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(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. The activities of the Company do not involve sale of services. 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 the value of ₹ five lakhs entered into during the financial year, because of the unique and specialized nature of the services 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. We have not, however, made a detailed examination of the same.

(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.

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

Name of Statute	Nature of Dues	Amount (₹ 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	34.06*	Assessment Year 2009-10	Income Tax Appellate Tribunal, New Delhi
Income Tax Act, 1961	Penalty for concealment of income, furnishing of inaccurate particulars	18.74	Assessment Year 2008-09	CIT (Appeals), New Delhi
Income Tax Act, 1961	Disallowance of expenses under Section 14A, excess disallowance claimed u/s 80IA	68.75	Assessment Year 2009-10	CIT (Appeals), New Delhi

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

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

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

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

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

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

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

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

(xix) The Company did not have any outstanding debentures 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 Kumar Gupta
Partner
Membership Number: 83906

Place of Signature: Noida
Date: September 06, 2014

BALANCE SHEET AS AT MARCH 31, 2014

Particulars	Note No.	As at 31 March 2014 (₹ in lacs)	As at 31 March 2013 (₹ in lacs)
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	**14,752.57**	14,752.57
b) Reserves and surplus	4	**79,992.39**	80,234.33
		94,744.96	94,986.90
2 Non–current liabilities			
(a) Long–term borrowings	5	**21,600.00**	24,300.00
(b) Deferred tax liabilities	6	**2,197.08**	2,196.34
(c) Long–term provisions	7	**66.07**	61.89
		23,863.15	26,558.23
3 Current liabilities			
(a) Trade payable	8	**168.18**	54.36
(b) Other current liabilities	8	**2,749.01**	2,750.71
(c) Short–term provisions	7	**53.23**	154.78
		2,970.42	2,959.85
TOTAL		**121,578.53**	124,504.98
II. ASSETS			
1 Non–current assets			
(a) Fixed assets			
(i) Tangible assets	9	**14,035.16**	16,024.22
(ii) Intangible assets	9	**4.02**	6.07
(b) Non–current investments	10	**49,295.56**	49,295.56
(c) Loans and advances	11	**49,775.76**	49,619.90
(d) Other non–current assets	12	**7,479.91**	7,478.23
		120,590.41	122,423.98
2 Current assets			
(a) Inventories	13	**237.54**	216.14
(b) Trade receivables	14	**60.12**	84.94
(c) Cash and bank balances	15	**620.03**	1,640.61
(d) Loans and Advances	11	**69.08**	137.05
(e) Other current assets	16	**1.35**	2.26
		988.12	2,081.00
TOTAL		**121,578.53**	124,504.98
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
ICAI Firm Registration No. : 301003E

per Manoj Kumar Gupta
Partner
Membership No. 83906

Place : Noida
Dated : September 06, 2014

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

Ravi Jhunjhunwala
Chairman & Managing Director
DIN – 00060972

Tima Iyer Utne
Director
DIN – 06839949

O.P. Ajmera
Chief Executive Officer

Arvind Gupta
Company Secretary
M.No. F-7690

Place : Noida
Dated : September 06, 2014

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	Note No.	For the year ended 31 March 2014 (₹ in lacs)	For the year ended 31 March 2013 (₹ in lacs)
I Income			
a Revenue from operations (net)	17	**6,679.28**	8,998.40
b Other Income	18	**136.03**	126.47
Total Income		**6,815.31**	9,124.87
II Expenses			
Wheeling Cost		**265.35**	168.01
Open access charges		**252.44**	166.45
Employee benefits expense	19	**665.26**	642.59
Other expenses	20	**886.28**	857.07
Depreciation and amortisation expense	21	**1,985.00**	1,996.89
Finance costs	22	**3,002.18**	3,319.42
Total expenses		**7,056.51**	7,150.43
III Profit/(Loss) before tax		**(241.20)**	1,974.44
IV Tax expense			
Current tax (refer note 7)		**9.63**	395.04
Less: MAT credit entitlement		**(9.63)**	
Deferred tax charge / (credit)		**0.74**	10.58
Total tax expense		**0.74**	405.62
V Profit/(Loss) for the year		**(241.94)**	1,568.82
VI Earnings per share [nominal value of share ₹ 10 (Previous year ₹ 10)]			
Basic and diluted	23	**(0.16)**	1.06
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
ICAI Firm Registration No. : 301003E

per Manoj Kumar Gupta
Partner
Membership No. 83906

Place : Noida
Dated : September 06, 2014

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

Ravi Jhunjhunwala
Chairman & Managing Director
DIN – 00060972

Tima Iyer Utne
Director
DIN – 06839949

O.P. Ajmera
Chief Executive Officer

Arvind Gupta
Company Secretary
M.No. F-7690

Place : Noida
Dated : September 06, 2014

CASH FLOW STATEMENT AS AT MARCH 31, 2014

Particulars	For the year ended March 31, 2014 (₹ in lacs)	For the year ended March 31, 2013 (₹ in lacs)
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	**(241.20)**	1,974.44
Adjustments for :		
Depreciation	**1,985.00**	1,996.89
(Profit) / Loss on sale of fixed assets	**(2.26)**	19.26
Interest expense	**2,906.72**	3,284.10
Interest income	**(31.15)**	(17.06)
Surrender value of keyman insurance policy	**(1.69)**	(1.46)
Operating profit before working capital changes	**4,615.42**	7,256.17
Movement in working capital :		
- (Increase)/decrease in trade receivables	**24.82**	67.06
- (Increase)/decrease in loans and advances	**(81.00)**	67.77
- (Increase)/decrease in other current assets	**–**	–
- (Increase)/decrease in inventories	**(21.40)**	(31.95)
- (Decrease)/increase in current liability	**(1.70)**	(62.00)
- (Decrease)/increase in trade payable	**113.82**	(4.16)
- (Decrease)/increase in provision	**(4.38)**	88.59
Cash generated from operations	**4,645.58**	7,381.48
Direct tax paid (net of refund)	**99.87**	311.00
Net cash flow from / (used in) operating activities (A)	**4,545.71**	7,070.48
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work in progress)	**(4.65)**	(16.38)
Proceeds from sale of fixed assets	**13.02**	9.05
Interest received	**32.06**	16.00
Fixed deposit placed	**1.63**	(10.68)
Loan (given to) / received from subsidiary company	**–**	5,800.00
Net cash from / (used in) investing activities (B)	**42.06**	5,797.99
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of short term loan from holding company	**–**	(2,207.01)
Repayment of long term loan	**(2,700.00)**	(5,984.54)
Proceeds from short term borrowings	**–**	–
Interest paid	**(2,906.72)**	(3,284.10)
Net cash from / (used in) financing activities (C)	**(5,606.72)**	(11,475.65)
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	**(1,018.95)**	1,392.82
Cash and cash equivalents at the beginning of the year	**1,611.10**	218.28
Cash and cash equivalents at the end of the year	**592.15**	1,611.10
Components of cash and cash equivalents		
Cash on hand	**3.56**	5.10
Deposits with original maturity of less than 3 months	**369.40**	–
With banks - on current account	**219.19**	1,606.00
TOTAL CASH & CASH EQUIVALENTS (NOTE NO. 15)	**592.15**	1,611.10
Summary of significant accounting policies 2.1		

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
ICAI Firm Registration No. : 301003E

per Manoj Kumar Gupta
Partner
Membership No. 83906

Place : Noida
Dated : September 06, 2014

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

Ravi Jhunjhunwala
Chairman & Managing Director
DIN – 00060972

Tima Iyer Utne
Director
DIN – 06839949

O.P. Ajmera
Chief Executive Officer

Arvind Gupta
Company Secretary
M.No. F-7690

Place : Noida
Dated : September 06, 2014

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 Companies (Accounting Standards) Rules, 2006, (as amended) read with General circular 8/2014 dated 4th April,2014 issued by Ministry of Corporate Affairs 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, 2014 (₹ in lacs)	As at March 31, 2013 (₹ 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, 2014		As at March 31, 2013	
	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 Issued during the year	**–**	**–**	–	–
Shares outstanding at the end of the year	**147,525,731**	**14,752.57**	147,525,731	14,752.57

(b) Terms/rights attached to equity shares

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

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

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

	As at March 31, 2014		As at March 31, 2013	
	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, 2014		As at March 31, 2013	
	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 (Subsequently Statkraft Holding Singapore PTE Limited from July 2014)	**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, 2014 (₹ in lacs)	As at March 31, 2013 (₹ in lacs)
Securities premium account	**32,545.67**	32,545.67
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	**47,688.66**	46,092.07
Add: profit for the year	**(241.94)**	1,568.82
Add: transfer from debenture redemption reserve	**-**	27.77
Net surplus in the statement of profit and loss	**47,446.72**	47,688.66
Total reserves and surplus	**79,992.39**	80,234.33

5. LONG TERM BORROWINGS

	Long–term		Current portion	
	As at March 31, 2014 (₹ in lacs)	**As at March 31, 2013 (₹ in lacs)**	**As at March 31, 2014 (₹ in lacs)**	**As at March 31, 2013 (₹ in lacs)**
Term loans				
From banks (secured)	**21,600.00**	24,300.00	**2,700.00**	2,700.00
TOTAL	**21,600.00**	24,300.00	**2,700.00**	2,700.00
The above amount includes				
Secured Borrowings	**21,600.00**	24,300.00	**2,700.00**	2,700.00
Amount disclosed under the head "other current liabilities"	**–**	–	**(2,700.00)**	(2,700.00)
	21,600.00	24,300.00	**–**	–

The Company has taken Indian Rupee term loans from Banks ₹ 24,300 lacs (previous year ₹ 27,000 lacs) carring interest at base rate plus 1.25% currently @ 11.50% 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.

6. DEFERRED TAX LIABILITIES

	As at March 31, 2014 (₹ in lacs)	**As at March 31, 2013 (₹ in lacs)**
Deferred tax liability		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	**2,190.99**	2,190.79
Others	**6.09**	5.55
Deferred tax liabilities	**2,197.08**	2,196.34

7. PROVISIONS

	Long–term		Short–term	
	As at March 31, 2014 (₹ in lacs)	**As at March 31, 2013 (₹ in lacs)**	**As at March 31, 2014 (₹ in lacs)**	**As at March 31, 2013 (₹ in lacs)**
Provision for employee benefits				
Provision for gratuity (refer note 33)	**–**	–	**23.75**	11.46
Provision for leave benefits	**58.43**	51.33	**3.05**	1.81
Provision for continuity linked bonus	**7.64**	10.56	**–**	22.09
TOTAL	**66.07**	61.89	**26.80**	35.36
Other Provision				
Provision for income tax (net of advance tax of ₹ 7003.70 lakhs and MAT credit entitlment of ₹ 9.63 lakhs)	**–**	–	**26.43**	119.42
	–	–	**26.43**	119.42
TOTAL	**66.07**	61.89	**53.23**	154.78

8. TRADE PAYABLE AND OTHER CURRENT LIABILITIES

	As at March 31, 2014 (₹ in lacs)	**As at March 31, 2013 (₹ in lacs)**
Trade payable (refer note 29 details of dues to micro and small enterprises)	**168.18**	54.36
Other current liabilities		
Current maturities of long term borrowings	**2,700.00**	2,700.00
Sundry deposits	**13.16**	11.28
Statutory dues payable	**35.85**	39.43
TOTAL	**2,749.01**	2,750.71

9. TANGIBLE ASSETS AND INTANGIBLE ASSETS

(₹ in lacs)

Particulars	Tangible Assets										Intangible Assets	
	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, 2012	215.17	3,258.51	18,433.16	1,996.71	9,619.14	56.61	63.59	55.79	113.02	33,811.70	58.57	58.57
Additions		–	–	–	5.25	2.42	0.87	4.06	–	12.60	0.72	0.72
Disposals		–	5.89	–	93.63	9.53	18.51	9.67	8.64	145.87	–	–
As at March 31, 2013	215.17	3,258.51	18,427.27	1,996.71	9,530.76	49.50	45.95	50.18	104.38	33,678.43	59.29	59.29
Additions		–	–	–	–	–	2.20	2.45	–	4.65	–	–
Disposals	9.34	–	–	–	0.04	–	1.50	–	5.35	16.23	–	–
As at March 31, 2014	**205.83**	**3,258.51**	**18,427.27**	**1,996.71**	**9,530.72**	**49.50**	**46.65**	**52.63**	**99.03**	**33,666.85**	**59.29**	**59.29**
Depreciation												
As at April 1, 2012	–	817.67	8,646.20	1,122.39	4,993.19	33.30	47.69	47.81	71.61	15,779.86	48.24	48.24
Charge for the year	–	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	–	–	2.66	–	76.53	7.47	15.19	9.00	6.71	117.56	–	–
As at March 31, 2013	–	915.08	9,847.21	1,227.88	5,482.88	29.06	35.22	42.16	74.72	17,654.21	53.22	53.22
Charge for the period	–	94.26	1,201.05	105.49	567.01	2.71	2.09	3.13	7.21	1,982.95	2.05	2.05
Disposals	–	–	–	–	–	–	0.78	–	4.69	5.47	–	–
As at March 31, 2014	**–**	**1,009.34**	**11,048.26**	**1,333.37**	**6,049.89**	**31.77**	**36.53**	**45.29**	**77.24**	**19,631.69**	**55.27**	**55.27**
Net Block												
As at March 31, 2014	**205.83**	**2,249.17**	**7,379.01**	**663.34**	**3,480.83**	**17.73**	**10.12**	**7.34**	**21.79**	**14,035.16**	**4.02**	**4.02**
As at March 31, 2013	215.17	2,343.43	8,580.06	768.83	4,047.88	20.44	10.73	8.02	29.66	16,024.22	6.07	6.07

Notes : 1) Road & Building includes cost of road ₹ 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 ₹ 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.

10. NON CURRENT INVESTMENTS

	As at March 31, 2014 (₹ in lacs)	As at March 31, 2013 (₹ 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

11. LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	Long–term		Short–term	
	As at March 31, 2014 (₹ in lacs)	As at March 31, 2013 (₹ in lacs)	As at March 31, 2014 (₹ in lacs)	As at March 31, 2013 (₹ in lacs)
Capital advances				
Advance for bara banghal project [including ₹ 681.88 lakhs (Previous year ₹ 540.76 lakhs) towards consultancy and other expenses on the project] (Unsecured, considered doubtful) (Refer note 31)	**6,801.89**	6,660.77	**–**	–
Less : Provision against upfront premium/other expenditure for bara banghal	**(3,597.71)**	(3,597.71)	**–**	–
Advance tax (net of provision of ₹ 6,780.14 lakhs, previous year ₹ 4,343.70 lakhs)	**140.20**	133.32	**–**	–
Loans and advances to holding company	**–**	–	**–**	6.34
Loans to employees	**20.98**	11.27	**5.53**	–
Security deposits	**30.40**	32.25	**–**	–
Advances recoverable in cash or kind	**-**	-	**63.55**	128.12
Loans & advance to subsidiary company (refer note 32)	**46,380.00**	46,380.00	**-**	2.59
TOTAL	**49,775.76**	49,619.90	**69.08**	137.05

12. OTHER NON CURRENT ASSETS

(Unsecured, considered good unless stated otherwise)

	As at March 31, 2014 (₹ in lacs)	As at March 31, 2013 (₹ in lacs)
Interest accrued on loan given to subsidiary company (refer note 32)	**7,461,.13**	7,461.13
Surrender value of keyman insurance policy	**18.78**	17.10
TOTAL	**7,479.91**	7,478.23

13. INVENTORIES

(valued at lower of cost and net realisable value)

	As at March 31, 2014 (₹ in lacs)	As at March 31, 2013 (₹ in lacs)
Stores and spares [including material lying with third parties ₹ 0.01 lakhs (previous year ₹ 1.17 lakhs)]	**237.54**	216.14
TOTAL	**237.54**	216.14

14. TRADE RECEIVABLES (CURRENT)

	As at March 31, 2014 (₹ in lacs)	As at March 31, 2013 (₹ 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	**60.12**	84.94
TOTAL	**60.12**	84.94

15. CASH AND BANK BALANCES

	As at March 31, 2014 (₹ in lacs)	As at March 31, 2013 (₹ in lacs)
Cash and cash equivalents		
Balances with banks in:		
– Current accounts	**219.19**	1,606.00
Deposits with original maturity of less than 3 months	**369.40**	
Cash on hand	**3.56**	5.10
	592.15	1,611.10
Other bank balances		
Margin money deposit (held as security)	**25.88**	27.51
Deposits with original maturity for more than 3 months but less than 12 months	**2.00**	2.00
	27.88	29.51
TOTAL	**620.03**	1,640.61

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

16. OTHER CURRENT ASSETS

	As at March 31, 2014 (₹ in lacs)	As at March 31, 2013 (₹ in lacs)
Interest accrued on bank deposits	**1.35**	2.26
TOTAL	**1.35**	2.26

17. REVENUE FROM OPERATIONS

	For the year ended March 31, 2014 (₹ in lacs)	For the year ended March 31, 2013 (₹ in lacs)
Revenue from operations		
Sale of power	**7,003.52**	9,462.41
Revenue from operations (gross)	**7,003.52**	9,462.41
Less : Discount on prompt payments	**75.23**	119.15
Less : Handling charges	**72.39**	79.22
Less : Unscheduled interchange charges / (credit)	**160.86**	253.24
Less : Professional charges	**15.76**	12.40
Revenue from operations (Net)	**6,679.28**	8,998.40

18. OTHER INCOME

	For the year ended March 31, 2014 (₹ in lacs)	For the year ended March 31, 2013 (₹ in lacs)
Interest on bank deposits	**31.15**	17.06
Interest on Income tax refund	**–**	12.46
Sale of voluntary emission reductions (VER)	**95.07**	103.02
Expenses on sale of voluntary emission reductions (including commission)	**–**	(15.94)
Excess provision/ credit balances written back	**0.28**	–
Surrender value of keyman insurance policy	**1.69**	1.46
Profit on fixed assets sold/discarded	**2.26**	–
Miscellaneous income	**5.58**	8.41
TOTAL	**136.03**	126.47

19. EMPLOYEE BENEFITS EXPENSES

	For the year ended March 31, 2014 (₹ in lacs)	For the year ended March 31, 2013 (₹ in lacs)
Salaries, wages and bonus	**447.91**	442.06
Director's remuneration	**124.42**	119.38
Contribution to provident and other funds	**28.55**	28.67
Gratuity expenses	**26.75**	11.46
Workmen and staff welfare expenses	**37.63**	41.02
TOTAL	**665.26**	642.59

20. OTHER EXPENSES

	For the year ended March 31, 2014 (₹ in lacs)	For the year ended March 31, 2013 (₹ in lacs)
Rent	**32.01**	37.09
Power and fuel	**44.79**	43.38
Repair and maintenance		
- Buildings	**11.28**	8.36
- Plant and machinery	**336.18**	247.08
- Others	**13.74**	32.60
Rates and taxes	**2.73**	1.89
Insurance	**156.97**	153.71
Payment to auditor	**13.06**	12.73
Communication costs	**21.94**	20.88
Printing and stationery	**5.66**	5.98
Travelling and conveyance	**70.96**	61.03
Membership fees and subscriptions	**16.73**	8.93
Legal and professional fees	**54.81**	61.18
Exchange fluctuation (net)	**–**	11.88
Social welfare expenses	**12.71**	8.59
Loss on fixed assets sold/discarded	**–**	19.26
Miscellaneous expenses	**92.71**	122.50
TOTAL	**886.28**	857.07
Payment to Auditor		
As auditor:		
- Audit fee	**6.74**	6.74
- Fees for international reporting	**3.37**	3.37
In other capacity		
- Fees for other services	**2.25**	2.25
- Fees for certification	**–**	–
- Out of pocket expenses	**0.70**	0.37
TOTAL	**13.06**	**12.73**

21. DEPRECIATION AND AMORTISATION EXPENSES

	For the year ended March 31, 2014 (₹ in lacs)	For the year ended March 31, 2013 (₹ in lacs)
Depreciation on tangible assets	**1,982.95**	1,991.91
Amortization of Intangible assets	**2.05**	4.98
TOTAL	**1,985.00**	1,996.89

22. FINANCE COST

	For the year ended March 31, 2014 (₹ in lacs)	For the year ended March 31, 2013 (₹ in lacs)
Interest		
- on term loans from banks and financial institutions	**2,889.90**	2,982.85
- on debentures	**–**	3.26
- on loan from holding company	**–**	197.60
- on Income Tax	**16.82**	14.72
Upfront fees and loan processing charges	**–**	85.67
Other bank charges	**95.46**	35.32
TOTAL	**3,002.18**	3,319.42

23. EARNINGS PER SHARE (EPS)

	For the year ended March 31, 2014 (₹ in lacs)	For the year ended March 31, 2013 (₹ in lacs)
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit/l(oss) after tax as per statement of profit and loss	**(241.94)**	1,568.82
Weighted average number of equity shares in calculating basic and diluted EPS	**1,475.26**	1,475.26
Basic and diluted earnings/(loss) per share in ₹ (face value of ₹10)	**(0.16)**	1.06

24. 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.

25. 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.

26. CONTINGENT LIABILITIES NOT PROVIDED FOR

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

(b) The Company has given default corporate guarantee for loan availed by AD Hydro Power Limited, subsidiary company, from IL&FS Infrastructure Debt Fund (IDF) in respect of debenture issued amounting to ₹ 7,556.68 lakhs (previous year Nil).

(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 ₹ 15.85 lakhs. 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 ₹ 34.07 lakhs. 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.

(e) In respect of assessment year 2011-12, 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 ₹ 68.75 lakhs. In response to appeal filed by the Company, before the Commissioner of Income Tax (Appeals), which is pending for hearing.

(f) Penalty Order under section 271(c) for assessment year 2008-09 amounting to ₹ 18.74 lakhs

(g) Wheeling charges claimed by Himachal Pradesh State Electricity Board not acknowledge as debt amounting to ₹ 228.16 lakhs to wheel or transfer energy from Bajaura sub station to 400 kV substation of Powergrid Corporation of India(Powergrid) limited at Nalagarh (i.e. interstate point)

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.

27. CAPITAL AND OTHER COMMITMENTS

Capital Commitment

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

b) Estimated amount of contracts remaining to be executed on capital account (Detailed Project Report fee) and not provided for (net of advances) ₹ 72.00 lakhs (Previous Year Nil) for Bara Banghal HEP Project in Himachal Pradesh.

Other Commitment

c) Malana Power Company Limited has entered into agreement with Himachal Pradesh State Electricity Board (HPSEB) to wheel or transfer energy from Bajaura sub station to 400 kV substation of Powergrid Corporation of India(Powergrid) limited at Nalagarh (i.e. interstate point). The company has agreed to pay wheeling charges. This, being firm commitment, is recognized as an expense, on receipt of monthly bills from HPSEB under the head 'Wheeling Charges' in the statement of profit and loss.

d) At March 31, 2014, 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).

28. 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 (Subsequently Statkraft Holding Singapore PTE Limited from July 2014)
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	
	2013–14	2012–13	**2013–14**	2012–13	**2013–14**	2012–13	**2013–14**	2012–13	**2013–14**	2012–13
Transactions during the year										
Rent										
a) Mrs.Rita Jhunjhunwala	**–**	–	**–**	–	**–**	–	**16.72**	16.01	**–**	–
b) Mr. Rishabh Jhunjhunwala	**–**	–	**–**	–	**–**	–	**16.23**	15.53	**–**	–
c) Mr. Riju Jhunjhunwala	**–**	–	**–**	–	**–**	–	**16.23**	15.53	**–**	–
d) RSWM Limited	**–**	–	**–**	–	**–**	–	**–**	–	**31.97**	36.92
Consultancy service charges paid to Indo Canadian Consultancy Services Limited	**–**	–	**91.82**	6.58	**–**	–	**–**	–	**–**	–
Remuneration paid to Mr. Ravi Jhunjhunwala,	**–**	–	**–**	–	**124.42**	119.38	**–**	–	**–**	–
Reimbursement of expenses paid to HEG Limited	**–**	–	**–**	–	**–**	–	**–**	–	**6.03**	2.97
Reimbursement of expenses paid to RSWM Limited	**–**	–	**–**	–	**–**	–	**–**	–	**17.64**	18.60
Reimbursement of expenses paid to Bhilwara Energy Limited	**2.68**	2.31	**–**	–	**–**	–	**–**	–	**–**	–
Reimbursement of expenses recovered from Bhilwara Energy Limited	**55.05**	53.50	**–**	–	**–**	–	**–**	–	**–**	–
Interest on short term loan from Bhilwara Energy Limtied	**–**	197.60	**–**	–	**–**	–	**–**	–	**–**	–
Reimbursement of expenses paid to Indo Canadian Consultancy Services Limited	**–**	–	**0.03**	–	**–**	–	**–**	–	**–**	–
Reimbursement of expenses paid to AD Hydro Power Limited	**–**	–	**16.66**	28.45	**–**	–	**–**	–	**–**	–

(₹ 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	
	2013–14	2012–13	**2013–14**	2012–13	**2013–14**	2012–13	**2013–14**	2012–13	**2013–14**	2012–13
Purchase of Inventory from AD Hydro Power Limited	**–**	–	**2.40**	–						
Reimbursement of expenses recovered from AD Hydro Power Limited	**–**	–	**6.21**	5.36	**–**	–	**–**	–	**–**	–
Sale of Land to AD Hydro Power Limited	**–**	–	**12.00**	–						
Unsecured Loan repaid to Bhilwara Energy Limited (including interest)	**–**	5,607.01	**–**	–	**–**	–	**–**	–	**–**	–
Unsecured Loan taken from Bhilwara Energy Limited	**–**	3,400.00	**–**	–	**–**	–	**–**	–	**–**	–
Unsecured Loan repaid by AD Hydro Power Limited	**–**	–	**1,488.85**	13,444.11	**–**	–	**–**	–	**–**	–
Unsecured Loan given to AD Hydro Power Limited	**–**	–	**1,487.12**	7,644.11	**–**	–	**–**	–	**–**	–
Deposit taken from Bhilwara Energy Limited	**–**	–								
Balances outstanding as at the year end										
Balances Receivable:										
Receivable from AD Hydro Power Limited (Reimbursements)			**–**	2.59						
Investment in AD Hydro Power Limited	**–**	–	**49,295.56**	49,295.56	**–**	–	**–**	–	**–**	–
Unsecured Loan recoverable from AD Hydro Power Limited	**–**	–	**46,380.00**	46,380.00	**–**	–	**–**	–	**–**	–
Receivable from Bhilwara Energy Limited	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Interest amount recoverable on Unsecured Loan	**–**	–	**7,461.13**	7,461.13	**–**	–	**–**	–	**–**	–
Balances Payable:										
Loan outstanding from Bhilwara Energy Limited	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Indo Canadian Consultancy Services Limited	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
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.

**The Company has given default corporate guarantee for loan availed by AD Hydro Power Limited, subsidiary company, from IL&FS Infrastructure Debt Fund (IDF) in respect of debenture issued amounting to ₹ 7,556.68 lakhs (previous year Nil).

29. 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.

30. 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, 2014**	For the year ended March 31, 2013
Lease payments for the year	**31.97**	37.09

31. (a) In 2010-11, the Company had given an upfront premium of ₹ 6,120.00 lakhs for 200 MW Bara Banghal HEP (BBHEP) project in state of Himachal Pradesh. Further, the Company had incurred expenses in the nature of consultant fees and other expenses of ₹ 681.88 lakhs in relation to this project. Approx. 21.46 hectares of land for the said project falls under the Dhauladhar Wildlife Sanctuary, where no construction is permitted. The Company had filed an impleadment application with the Supreme Court of India for giving direction to the Wildlife Authority for processing and granting the technical clearance for the said project.

Pending the decision on application by the Supreme Court of India for grant of clearance to the project and in view of uncertainties related to such approvals and significant delays in respect of the project as stated above and in accordance with the terms of the Hydro Policy of the State, the Company, in the year 2010-11, had created a provision of 50% of the upfront premium of ₹ 3,060.00 lakhs and entire expenses incurred of ₹ 537.76 lakhs till March 31, 2011 (i.e. total provision of ₹ 3,597.71 lakhs) 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 further adjustments to loan and advances for ₹ 3,204.18 lakhs as balance premium have been made in the financial statements in this regard.

(b) In respect to Bara Banghal Project mentioned above, HPSEB has raised a demand of ₹ 661.05 lakhs incurred by HPSEB on surveys and investigations pertaining to the project (alongwith compounded interest of 10% per annum) which, in the opinion of the management, is due and payable only once the project is assessed as viable and Implementation Agreement is signed. Thus, no provision has been made in the financial statements as of now.

32. The Company has given loan to its subsidiary, AD Hydro Power Limited of which ₹ 46,380.00 lakhs (principal amount) (Previous year ₹ 46,380.00 lakhs) and ₹ 7,461.13 lakhs (interest amount) (Previous ₹ 7,461.13 lakhs) is outstanding at year end.

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, 2014, interest amounting to ₹ 5,101.80 lakhs for the year ended March 31, 2014 (previous year ₹ 5,227.19 lakhs) has not been charged from the subsidiary company.

33. 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, 2014 (₹ in lakhs)**	For the year ended March 31, 2013 (₹ in lakhs)
Current Service Cost	**8.53**	7.07
Interest cost on benefit obligation	**7.42**	5.92
Expected return on plan assets	**(7.72)**	(5.42)
Net actuarial (gain)/ loss recognised in the year	**18.52**	3.90
Net benefit expense	**26.75**	11.46
Actual return on plan assets	**(7.63)**	(7.31)

Details of Provision for Gratuity:

Particulars	For the year ended March 31, 2014 (₹ in lakhs)	For the year ended March 31, 2013 (₹ in lakhs)
Defined benefit obligation	**112.01**	92.72
Fair value of plan assets	**88.26**	81.26
Surplus / (Deficit)	**(23.75)**	(11.46)
Less: Unrecognised past service cost	**–**	–
Net asset / (liability) recognized in Balance Sheet	**(23.75)**	(11.46)

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

Particulars	For the year ended March 31, 2014 (₹ in lakhs)	For the year ended March 31, 2013 (₹ in lakhs)
Opening defined benefit obligation	**92.72**	73.94
Interest cost	**7.42**	5.92
Current service cost	**8.53**	7.06
Benefits paid	**(15.09)**	–
Actuarial (gains)/ losses on obligation	**18.43**	5.80
Closing defined benefit obligation	**112.01**	92.72

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

Particulars	For the year ended March 31, 2014 (₹ in lakhs)	For the year ended March 31, 2013 (₹ in lakhs)
Opening fair value of plan assets	**81.26**	57.02
Expected return	**7.72**	5.42
Contributions by employer	**14.46**	16.92
Benefits paid	**(15.09)**	–
Actuarial gains / (losses)	**0.09**	1.90
Closing fair value of plan assets	**88.26**	81.26

The defined benefit obligation amounting to ₹ 112.01 lakhs is funded by assets amounting to ₹ 88.26 lakhs and the Company expects to contribute ₹ 16.75 lakhs 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, 2014	For the year ended March 31, 2013
	%	%
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, 2014 (₹ in lakhs)	For the year ended March 31, 2013 (₹ in lakhs)
	%	%
Discount Rate	**8.50**	8.00
Expected rate of return on assets	**9.50**	9.50
Future Salary Increase	**6.00**	5.50
Withdrawal rate	**1 to 3**	1 to 3

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

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

Particulars	**For the year ended March 31, 2014**	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
Defined benefit obligation	**112.01**	92.72	73.94	54.00	43.63
Plan assets	**88.26**	81.26	57.02	45.13	44.10
Surplus / (deficit)	**(23.75)**	(11.46)	(16.92)	(8.87)	0.47
Experience adjustments on plan liabilities	**(18.31)**	(5.53)	(10.31)	(3.47)	0.24
Experience adjustments on plan assets	**(0.09)**	2.75	(0.23)	(0.20)	5.47

Defined Contribution Plan **(₹ in lakhs)**

Particulars	**For the year ended March 31, 2014**	For the year ended March 31, 2013
Contribution to Provident Fund	**20.75**	21.35
Contribution to Superannuation Fund	**3.25**	4.00
Total	**24.00**	25.35

Policy on Superannuation

On December 19, 2011, the Company has revised its superannuation benefit policy with effect from April 1, 2009, whereby the annual contribution in respect of each member payable by the employer shall be 15% subject to maximum of ₹ 1.00 lakh per annum. However, as the annual CTC of many employees contains component of superannuation in excess of ₹ 1.00 lakhs, superannuation amount in excess of ₹ 1.00 lakh in CTC is being paid to the employee subject to tax deducted at source.

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

Particulars	**March 31, 2014**	March 31, 2013
Foreign Currency Loan	**NIL**	NIL

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

Particulars	**Percentage of total consumption**		**Value (₹ in lakhs)**	
	2013-14	2012-13	**2013-14**	2012-13
Stores & Spares				
- Imported	**–**	–	**–**	–
- Indigenously obtained	**100**	100	**73.92**	47.60
Total	**100**	100	**73.92**	47.60

36. EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)

Particulars	**2013-14 (₹ in lakhs)**	2012-13 (₹ in lakhs)
Others (Sale of Voluntary Emission Rights)	**95.07**	103.02

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

Particulars	2013-14 (₹ in lakhs)	2012-13 (₹ in lakhs)
Travelling and Conveyance	**10.50**	1.85
Membership fees and subscriptions	**–**	–
Repair and maintenance – Others	**4.30**	3.44

38. 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
ICAI Firm Registration No. : 301003E

per Manoj Kumar Gupta
Partner
Membership No. 83906

Place : Noida
Dated : September 06, 2014

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

Ravi Jhunjhunwala
Chairman & Managing Director
DIN – 00060972

Tima Iyer Utne
Director
DIN – 06839949

O.P. Ajmera
Chief Executive Officer

Arvind Gupta
Company Secretary
M.No. F-7690

Place : Noida
Dated : September 06, 2014

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, 2014
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

Tima Iyer Utne
Director
DIN – 06839949

O.P. Ajmera
Chief Executive Officer

Arvind Gupta
Company Secretary
M.No. F–7690

Place : Noida
Dated : 6th September, 2014