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PRIVILEGED TO BE GLOBAL

# Setting Benchmarks



Malana Power Company Limited

*Annual Report 2006-2007*



## A Passion for Excellence

Having been built on solid, reliable foundations, the LNJ Bhilwara Group has evolved beyond its rich heritage, steeped in integrity, reliability, quality... and most importantly, an innate ability for innovation.

This ethos has catapulted the Group onto a global platform, having set several benchmarks along the years, driven by a passion for excellence.

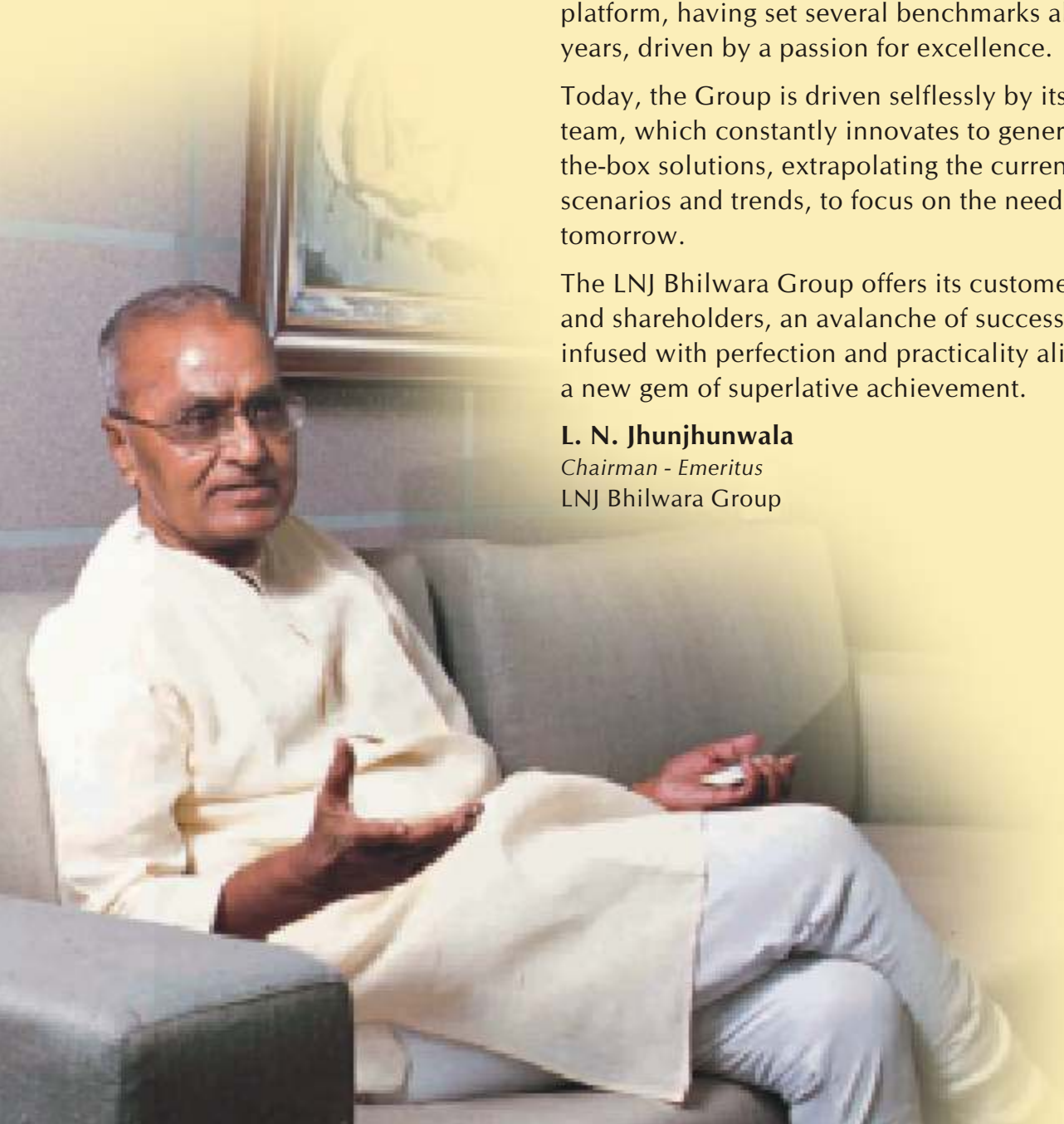
Today, the Group is driven selflessly by its dedicated team, which constantly innovates to generate out-of-the-box solutions, extrapolating the current market scenarios and trends, to focus on the needs of tomorrow.

The LNJ Bhilwara Group offers its customers, clients and shareholders, an avalanche of success stories, infused with perfection and practicality alike, each one a new gem of superlative achievement.

### **L. N. Jhunjhunwala**

*Chairman - Emeritus*

LNJ Bhilwara Group





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Malana Power Company Limited » Annual Report 2006-2007



MALANA HYDRO-ELECTRIC POWER PROJECT  
मलाना जल विद्युत परियोजना

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Malana Power Company Limited



# Group Salient Features : 2006-07

## Power



- **Hydro Power Generation**
  1. **Bhilwara Energy Ltd.**
  2. **Malana Power Company Ltd.**
  3. **AD Hydro Power Ltd.**
- **Captive Power**
  1. Thermal
  2. Hydro
  3. Waste Heat Recovery
  4. Wind Energy
- **Power Consultancy**
  1. **Indo Canadian Consultancy Services Ltd.**

- Bhilwara Energy Limited incorporated as the Holding Company for the Group's power businesses.
- Bhilwara Energy Limited bags three Hydel Power projects in Arunachal Pradesh.
- Bhilwara Energy formalises agreement with Punjab State Electricity Board to develop and run a 75 MW power plant near Pathankot.
- MPCL becomes the first hydro power company in India to implement ERP.
- RSWM Limited is the new name for Rajasthan Spinning & Weaving Mills Ltd.
- RSWM has initiated a Rs. 900 crore expansion plan. Its Denim & Captive Thermal Power Plants are nearing completion.
- RSWM, Maral Overseas and BSL Limited expand their spindle capacities.
- RSWM was recently felicitated with Rajiv Gandhi National Quality Award.
- RSWM announced the acquisition of Cheslind Textiles Ltd., a Bangalore based textile unit.
- RSWM International B.V., Holland, incorporated, a 100% subsidiary of RSWM, executes a 50:50 JV with SISA S.A., Spain. The new JV entity is known as RSWM SISA.
- RSWM ropes in Salman Khan as brand ambassador for Mayur Suitings.
- HEG's 52,000 MT per annum, Graphite Electrode plant stabilised.
- HEG institutes LNJ Award for outstanding work in the field of Carbon.
- HEG initiated Rs. 110 crore Capex during the year.
- Bhilwara Scribe ranked amongst the top 5 BPOs in Healthcare segment.

## Textiles



- **RSWM Limited** (yarn, fabric, garments, technical textiles, Denim)
- **Maral Overseas Ltd.** (cotton yarn, fabric & knitted garments)
- **BSL Ltd.** (fabric - worsted, polyester & silk furnishing)
- **BMD Pvt. Ltd.** (automotive fabric)
- **Bhilwara Spinners Ltd.** (yarn)
- **Bhilwara Processors Ltd.** (process house)

## Graphite Electrodes / Steel



- HEG Limited

## GROUP FINANCIAL HIGHLIGHTS

(Rs. in crore)

PARTICULARS	2004-05	2005-06	2006-07
Turnover	2049	2387	2859
Export Sales	893	1016	1361
PBIDT	274	374	434
PBDT	208	286	323
PBT	96	156	193
PAT	79	115	134
Gross Fixed Assets	2494	2922	3835
Net Worth	969	1382	1525



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## From the Chairman's Desk

Dear Shareholders,

The Indian Economy is presently undergoing a wave of change because of the various liberalization and globalization initiatives undertaken over the past decade. The economy is moving along a high growth path which is clearly visible from the strong growth rate of GDP for 2006-2007 pegged at 9.4%, rising foreign exchange reserve and booming capital market.

India's performance in recent years has been among the best in the world with compounded annual growth rate over the last four years has exceeded 8.6%. Among the large economies of the world, only China has performed better.

During the financial year under review, Corporate Sector has witnessed major global acquisitions and buyouts by Indian Companies, reflecting integration of Indian market with Global Economy and also confidence of Indian Business houses to take global opportunities.

However infrastructure development has not been able to keep pace with the strong performance and robust growth of over 8% during past few years and continues to be a major hurdle and road block in further progress of the economy. Power shortages, bad roads, inadequate capacity in ports, and poor water and sanitation facilities are some of the important concerns that need to be addressed for us to sustain the economic growth in coming years.

During the period 2007-2012, average economic growth has been projected at 9% per annum and to sustain this economic growth our power generation capacities will also need to grow by minimum 9% annually. To revamp the Power Sector, number of path breaking initiative have been taken in the recent past which includes harnessing full potential of the hydro power capacity in the country and treating all hydro projects eligible for benefits under Clean Development Mechanism.

Your Company remains very optimistic with the upcoming opportunities and investments in the hydro power sector. The Company is well focused to harness not only to fullest potential but also to maximize the shareholders value on a consistent basis. The Company is confident of its



**Ravi Jhunhunwala**  
*Chairman & Managing Director*

management team and sustainable development policies paying rich dividends going forward. As a Group we are committed to achieve 1500mw of power generation by 2015.

Just as I am optimistic about India, so am I confident of your Company's management team and its ability to significantly increase revenues, profits and returns on shareholder funds. And I look forward to an even better performance in the future.

On behalf of the Board of Directors, I wish to record my thanks and gratitude to all our stakeholders, financial institutions, employees, government bodies for their tremendous support and contributions.

With kind regards,

Yours sincerely,

**Ravi Jhunhunwala**  
*Chairman & Managing Director*



Malana Power Company Limited



## Message from the CEO



**A. B. Giri**  
*Chief Executive Officer*

Dear Shareholders,

Your Company, Malana Power Company Limited, country's first Merchant Hydro Plant of 86 MW in Himachal Pradesh has completed its sixth year of successful operations.

The plant availability touched at 99.70% and set a benchmark with highest ever generation recorded in the month of August. The total energy generated during the year stood at 326.993 million units with 265.358 million saleable units. The Company earned total revenue of Rs. 747.218 Million this financial year. The Company also signed Memorandum of Understanding with PTC for sale of power for the period from July, 2007 to June 2008 at impressive tariff price.

The joint venture with S N Power further strengthened during the year and both the partners worked in close assistance for exchange of technical knowledge and experience for the advantage of the company. The Company is also evaluating to enhance the capacity of machines during monsoon seasons to utilize the river discharge in excess of present machine requirements.

The Company has also bid for various hydro electric projects in Himachal Pradesh ranging between 100MW to 200MW and envisages for increasing its generating capacity by building and implementing new hydro electric projects.

The Company has adequate internal controls and procedures with focus on cost management and operational performance. Internal control audits are conducted by independent team on the performance and issues are highlighted to senior

management on regular basis.

The management is committed to become best employer in the industry. During the year, Company introduced continuity linked bonus scheme to retain and reward its experience and qualified employees. Company also initiated anti corruption policy and code of ethics for employees to maintain discipline and report unethical behaviors. All employees are covered under Insurance policies against risk of health and life disasters. The construction for office complex and residential building at project site is progressing well and set to be completed by the early next year.

On the environment front, we strive for innovative eco-solutions and to conserve and replenish is central to our green policies. The Company has planted 65,000 fast growing trees including 650 fruit trees.

The Company is committed towards its social responsibility. The Company has invested in the infrastructure development of the region including construction, widening and repair of roads and strengthening and construction of local area bridges. Several initiatives were taken up on social development front and activities like construction of footpaths, toilets, school and hospital buildings, street lights including providing teachers for school and it continuously strive to improve the educational and health status of the region. The Company has also contributed towards protection of slopes and banks to prevent soil erosion and loss of land. The Company has also made significant contribution towards social, cultural and religious activities for local communities and area.

We constantly strive to balance returns from business with economic prosperity, environmental eminence and social equity.

With all your support and efforts, I am sure that we shall be delivering the better performance every year. I wish to express special appreciation of the hard work put in by each and every employee of the Company. I sincerely thank you for the trust you continue to repose on us.

With kind regards,

Yours sincerely,

**A. B. Giri**  
*Chief Executive Officer*



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## Corporate Information

### BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR  
Ravi Jhunjunwala

### DIRECTORS

L. N. Jhunjunwala  
Einar Stenstadvold  
Kamal Gupta  
Øistein Andresen  
R. P. Goel  
Leiv Pedersen

### COMMITTEES OF THE BOARD

#### AUDIT COMMITTEE

Ravi Jhunjunwala, Chairman  
Kamal Gupta, Member  
Einar Stenstadvold, Member

### KEY EXECUTIVES

A. B. Giri, Chief Executive Officer  
O. P. Ajmera, Chief Financial Officer  
V. D. Bhatia, General Manager (Operations)  
T. Swaminathan, General Manager (Operations)

### COMPANY SECRETARY

Varun Gupta

### STATUTORY AUDITORS

S. R. Batliboi & Associates, Gurgaon

### INTERNAL AUDITORS

Ashim & Associates, New Delhi

### TECHNICAL CONSULTANTS

RSW International Inc., Canada  
Indo-Canadian Consultancy Services Ltd.

### BANKERS & FINANCIAL INSTITUTIONS

Infrastructure Development Finance Company Ltd.  
UTI Bank Ltd.  
Punjab & Sind Bank  
State Bank of Patiala  
State Bank of Travancore  
Infrastructure Leasing & Financial Services Ltd.  
Punjab National Bank  
The Jammu & Kashmir Bank Ltd.  
ICICI Bank Ltd.  
Yes Bank Ltd.  
Centurion Bank of Punjab Ltd.  
State Bank of India

### CORPORATE OFFICE

Bhilwara Towers  
A-12, Sector - 1  
Noida - 201 301 (NCR-Delhi)  
Phone : 91-120-4390300  
Fax : 91-120-2531648, 745  
Website : [www.malanapower.com](http://www.malanapower.com)  
[www.lnjbhilwara.com](http://www.lnjbhilwara.com)

### REGISTERED OFFICE & WORKS

Village Chowki, P.O. Jari  
Distt. Kullu (H.P.)  
Phone : 01902-276074 to 78  
Fax : 01902 - 276078  
E-mail : [mpcl@lnjbhilwara.in](mailto:mpcl@lnjbhilwara.in)

### LIAISON OFFICE

Bhilwara Bhawan  
40-41, Community Centre  
New Friends Colony  
New Delhi - 110 065  
Phone : 011-26822997

## MPCL FINANCIAL HIGHLIGHTS

(Rs in crore)

Particulars	2003-2004	2004-2005	2005-2006	2006-2007
Turnover	65.70	52.46	72.27	<b>74.72</b>
PBIDT	51.46	38.95	52.59	<b>64.02</b>
Interest	15.66	18.85	15.47	<b>13.23</b>
PBDT	35.80	20.10	37.12	<b>50.79</b>
Depreciation	10.57	10.27	10.52	<b>10.77</b>
PBT	25.23	9.83	26.60	<b>40.02</b>
Taxation	10.04	(5.85)	10.96	<b>14.06</b>
PAT	15.19	15.68	15.64	<b>25.96</b>
Net Worth	90.91	130.89	306.85	<b>333.18</b>
Deferred Tax Liability(Net)	15.89	9.26	17.90	<b>32.26</b>
Gross Fixed Assets	331.24	328.09	329.46	<b>330.1</b>
EPS (Rs.)	2.27	2.25	1.37	<b>1.98</b>
Book Value Per Share (Rs.)	13.61	19.52	23.44	<b>25.45</b>



Malana Power Company Limited



## Directors' Report

### TO THE MEMBERS

#### MALANA POWER COMPANY LIMITED

On behalf of the Board of Directors, I have pleasure in presenting the Tenth Annual Report of the Board on the business and operations of the Company and audited statement of accounts for the year ended 31st March, 2007 together with the Auditors' Report.

#### 1. FINANCIAL PERFORMANCE

Particulars	For the Year ended 31.03.2007 (Rs. In Million)	For the Year ended 31.03.2006 (Rs. In Million)
<b>TURNOVER</b>	<b>747.218</b>	722.745
Less : Discount on prompt payments	14.606	15.820
<b>Net Sales</b>	<b>732.612</b>	706.925
Other Income	43.178	16.436
<b>Total Income</b>	<b>775.790</b>	723.361
<b>PROFIT BEFORE INTEREST, DEPRECIATION AND TAX</b>	<b>640.272</b>	525.896
Interest	132.342	154.681
<b>PROFIT BEFORE DEPRECIATION AND TAX</b>	<b>507.930</b>	371.215
Depreciation	107.742	105.202
<b>Profit Before Tax</b>	<b>400.188</b>	266.013
<b>Provision for Tax</b>		
– Current Tax	(3.771)	22.385
– Deferred Tax	143.561	86.346
– FBT/Wealth Tax	0.772	0.890
<b>NET PROFIT AFTER DEPRECIATION AND TAX (PADIT)</b>	<b>259.626</b>	156.392
Balance brought forward from previous year	502.190	397.253
Transfer from Debenture Redemption Reserve	26.950	6.950
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>	<b>788.766</b>	560.595
<b>APPROPRIATION</b>		
Transfer to Debenture Redemption Reserve	36.667	58.405
<b>Balance carried forward</b>	<b>752.099</b>	502.190
<b>Basic and diluted Earning Per Share (EPS) (In Rs.)</b>	<b>1.98/1.98</b>	1.37/1.35







### Financial Review

During the year under review the turnover of the Company stood at Rs. 747.218 Million. The Profit after Tax increased to Rs.256.626 Million as against Rs. 156.392 Million recorded during the previous year. The cash profits from the business also increased to Rs. 482.018 Million from Rs. 359.20 Million.

### 2. DIVIDEND

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

### 3. POWER BUSINESS

#### 3.1 OPERATIONAL PERFORMANCE

During the period under review the plant availability touched 99.70% and as per the available hydrology data the generation stood at 326.993 Million Units.

There was a shutdown of plant for a period of 14 days in the first quarter of the year under review due to maintenance activities. An expenditure of Rs. 2.972 Million was incurred on repairs during the

period. The operation data for the year is as given below:

(In Million Units)

S.No	Particulars	2004-05	2005-06	2006-07
1.	Total Generation	275.379	340.221	<b>326.993</b>
2.	Less: Auxiliary Transmission Loss	2.843	3.915	<b>3.688</b>
3.	Less: Royalty/ Wheeling to Govt. HPSEB	50.146	61.880	<b>59.488</b>
4.	Total Unit sold	223.246	274.400	<b>265.358</b>

#### 3.2 POWER SALES

During the year the company recorded a sale of 265.358 Million units as against 274.400 Million units during the previous year. During the year the company also signed a Memorandum of Understanding with the Power Trading Company Ltd for sale of power for the period July, 2007 to June, 2008.





#### 4.0 LNJ BHILWARA GROUP-SN POWER COLLABORATION

The LNJ Bhilwara Group and SN Power partnership strengthened further during the year under review. Both the partners worked in close association and exchanged technical and financial expertise for the advantage of the Company. The joint venture aptly integrated the domestic operating status, knowledge and financial potency of the LNJ Bhilwara Group and technical expertise and international experience of SN Power, Norway.

#### 5.0 HUMAN RESOURCE DEVELOPMENT

The Company values human resources very vital to the augmentation of the organization. Management encourages friendly job culture and recognizes initiatives and performance of the individuals. The Company encourages new ideas and views of young personnel in organization. Your company has also put in place a recruitment and human resource management system, which enables it to attract and retain high caliber employees.

The security of employees is one of the prime concerns of the Management. Employees are adequately covered under various insurance policies against risk of health and life disasters. The Company recognizes serious dearth of trained expert personnel in power sector. With the expansion of the power market, there is growing requirement for not just qualified engineers, but also for finance, marketing, commercial, IT and HR personnel. There is an urgent need for skilled people in power generation, distribution and trading. During the year under review, the

Company introduced continuity linked bonus policy to retain and reward experience and qualified employees.

During the year, Company introduced and established anti-corruption and code of ethics for employees to report concerns about unethical behavior, actual or suspected fraud or violation of code of conduct or ethics policy.

The Company has also started construction of high class housing complex for the employees with all recreational amenities at the site as a welfare measure. In order to underline its belief in long term relationship with its employees, the Company has introduced a Scheme which provides substantial monetary benefits on completion of each year.

Your Company is also committed to become an attractive employer in the industry. The Company continues to empower its employees to achieve business successes. The Company is also committed to provide a zero injury workplace to its employees and workers all across its units. The Company aims to be recognized as industry leader in the development and implementation of safe workplace.

#### 6.0 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

##### 6.1 INTERNAL CONTROL SYSTEMS

The Audit Committee is responsible for the effectiveness of the Company's system of internal control. The system of internal control has been designed and implemented to meet the particular requirements of the Company and the risks to which it is exposed. Risk governance operates within a strongly-defined structure that is agreed by the board and monitored by the audit





committee. The objectives are to identify the level of risk appropriate to the Company, taking into account the need to increase shareholder value through an entrepreneurial culture and ensuring that the company achieves its objectives. Risk identification includes both actual and potential risks. Mitigation of risks and compensating controls are implemented and monitored.

## 6.2 INTERNAL AUDIT

Internal audit provides a self-governing, objective assurance and consulting activity designed to add value to business processes in the Company and the group and to management in a manner that will enhance the Company's operations. It assists the Company and the group to accomplish its objectives by bringing a systematic, disciplined approach in evaluating the effectiveness of the Company and the Group's risk management, control and governance processes.

Internal audit plans cover matters identified in risk management assessments as well as issues highlighted by the board, the audit committee and senior management. Quarterly Internal audit reports are submitted along with the management's response to the Audit Committee. The Audit Committee monitors performance of Internal Audit on a periodic basis through review of the internal audit plans, audit findings & swiftness of issue resolution through follow ups.

## 7.0 FUTURE OUTLOOK

The financial year, 2007-08 is expected to provide robust financial results for the Company. The Company has already signed a power purchase agreement with PTC Ltd for sale of power for the period July, 2007 to June, 2008 at an impressive tariff price which would increase the profit figures for the Company substantially. The Company has also bid for various hydro electric projects aggregating to over 600 MW, ranging between 100 MW to 200 MW during the year. The Company envisages expanding its generation capacities by building, commissioning and operating new hydro electric projects. The Company is geared to meet the challenges of the future, and translate them into lucrative opportunities. Due to its past expertise in the power sector the Company is expected to win bids for construction and operation of hydro power projects from the government and the company is more than willing to shoulder the government in its endeavors to secure power for all.

Today, the power sector is vibrant and teeming with optimism on the rise. The future beckons bright for the Company.

## 8.0 ENVIRONMENT RESPONSIBILITY

Your Company realizes that the resources of the mother earth are finite and constantly strive towards innovative eco-solutions. To conserve and replenish is central to our green policies. Towards realizing this, the company





Malana Power Company Limited



has already planted 65,000 fast growing trees including 650 fruit trees. Using innovative siphoning technology for silt removal is not only proving to be cost effective but it also saves power.

MPCL has also contributed towards protection of slopes and banks to prevent soil erosion and loss of land.

## 9.0 CORPORATE SOCIAL RESPONSIBILITY

Your Company not only provides power to the many people but empower our employees to realize their full potential and contribute to the community where they live and work. All our business decisions are driven by ethical considerations. The objective of our project was not only to provide hydroelectricity to the power deficient Northern Region but also to provide employment to the local people who were devoid of any meaningful employment. Today more than 70 per cent of the MPCL employees are from Himachal Pradesh.

Your Company has invested in the infrastructure development of the region including construction, widening and repair of roads and strengthening and construction of bridges. This has improved the connectivity to the region for our employees, local people and the tourists. The improved connectivity has not only resulted in our efficient functioning, but has also boosted tourism and other economic activities from which the local community is benefiting.

Your Company assessed and prioritized the felt needs of the local community and took initiatives like constructing school and hospital buildings to improve the educational and health status of the region. To make our efforts sustainable we have provided teachers to this school from the local community and are also providing free medicines.

Our other community initiatives include construction of footpaths and toilets and providing street lights to improve the local living conditions. A significant number of our workers come from these villages. The Company is also funding a local NGO working with the local women on medicinal herbs. The Company has also provided free cable connections to the villagers in Jari which has connected them with the outside world.

## 10.0 DISCLOSURE OF PARTICULARS

Particulars required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the prescribed format as Annexure-I to the Directors' Report.

## 11.0 PARTICULARS OF EMPLOYEES

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





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## 12.0 DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the financial year 2006-2007;
- iii) that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act 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 going concern basis.

## 13.0 DIRECTORS

Mr. Leiv Pedersen was appointed as additional director of the Company with effect from 1st June, 2006, until the conclusion of the next annual general meeting. He was confirmed as director of the Company w.e.f 30th September, 2006.

Mr. Oistein Andresen and Mr. L. N. Jhunjhunwala retire by rotation and being eligible, offers himself for reappointment.

## 14.0 AUDIT COMMITTEE

During the year the Company met twice to review Company's financial results, internal control systems, risk management policies and internal audit reports. The audit committee of the Company comprises of three members. All the members were present in all the meetings of the audit committee and the proceedings of the committee were in accordance with the provisions of the Companies Act, 1956.

## 15.0 AUDIT REVIEW

Statutory Auditors' Report to the members and comments of the Board of Directors thereon annexed hereto and form part of this report as required under Section 217(3) of the Companies Act, 1956.

## 16.0 REDEMPTION OF DEBENTURES

During the financial year 2006-2007, amounting to Rs. 107.77 Million have been redeemed.

## 17.0 FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the inflow of foreign exchange was NIL and outflow of foreign exchange was Rs.3,738 million.

## 18.0 PUBLIC DEPOSITS

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





Malana Power Company Limited



## 19.0 CORPORATE GOVERNANCE

Corporate Governance is a process that aims to meet shareholders aspirations and societal expectations. It is a commitment that is backed by the fundamental belief of maximizing shareholders value, transparency in functioning, values and mutual trust amongst all the stakeholders in the organization. In case of our company, it's not a discipline imposed by a regulator, rather a culture that guides the Board, management and employees to function towards best interest of stakeholders. In our Company, Corporate Governance philosophy stems from our belief that corporate governance is a key element in improving efficiency and growth as well as enhancing investor confidence.

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 judgement to bear on issues of strategy, performance, resources, standards of Company conduct, etc. The audit committee of the board meets regularly and provides assurance to the Board on the adequacy of internal control systems and financial systems. The Corporate governance policy followed by the Company represents the value framework, the ethical framework and the moral framework under which business decisions are taken.

## 20.0 AUDITORS

M/s S.R.Batliboi & Associates, Chartered Accountants statutory auditors of the Company retire at the ensuing Annual General Meeting of the Company and being eligible offers themselves for reappointment.

## 21.0 AUDITORS' REMARKS

The observations made by the Auditors with reference to the Notes to the Accounts for the year under report are self-explanatory and require no further comments from the board.

## 22.0 ACKNOWLEDGEMENT

Your Company is indebted for the support and cooperation extended by every member of the MPCL family. The Board of Directors sincerely acknowledge the precious assistance and continued support provided by the Ministry of Power, Government of Himachal Pradesh, Himachal Pradesh State Electricity Board, Haryana State Electricity Board, Power Trading Corporation Limited, Commercial Banks, Financial Institutions and other Governmental Departments. The Board looks forward to their continued support and cooperation in the coming years as well. Your Directors are also appreciative for the generous support provided by the debenture-holders issued by MPCL.

Your Directors are pleased to place on record the appreciation for the highly motivated employees of the Company who are working zealously for the accomplishment of the Corporate Mission by believing that great works are performed not by strength but by perseverance and we look forward to their continued dedication in the years to come to enable the Company to scale even greater zenith.

**For and on behalf of the Board of Director**

Place : Manali  
Date : 5th June, 2007

**RAVI JHUNJUNWALA**  
**Chairman & Managing Director**





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

(Rs in Lac)

1	CONSERVATION OF ENERGY	Nil	
2	TECHNOLOGY ABSORPTION	Nil	
3	FOREIGN EXCHANGE EARNINGS AND OUTGO		
<b>I Outgo</b>			
		<b>This Year</b>	<b>Previous year</b>
a)	Import of components/spares (CIF Value)	-	263.66
b)	Traveling Expenses	25.40	1.07
c)	Professional Services	11.98	22.77
	<b>Total</b>	<b>37.38</b>	<b>287.50</b>

**II Foreign Exchange Earnings**

As the Company is in business of power generation , there shall not be any export earnings.

**ANNEXURE - II TO DIRECTORS' REPORT**

**INFORMATION PURSUANT TO SECTION 217 (2-A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES 1975 AND FORMING PART OF THE DIRECTOR'S REPORT FOR THE YEAR ENDED 31ST MARCH 2007.**

**a) PERSONS EMPLOYED FOR FULL YEAR :**

Sl. No.	Name of Employee	Designation	Remuneration (Rs. in lac)	Qualifications	Experience (Years)	Age (Years)	Date of Commencement of Employment	Last Employment held, Organization and Designation
1	Mr. Ravi Jhunjhawala*	Chairman & Managing Director	121.29	B. Com (Hons) MBA	27	52	01.11.2001	HEG Limited Chairman & Managing Director

\*Mr. Ravi Jhunjhunwala is related to Mr. L.N. Jhunjhunwala, Director of the Company.

**b) Persons employed for part of the year:**

1	Mr. B. C. P. Singh*	CEO	26.20	B.E & FIE	38	61	02.05.2005	BALCO President (Power)
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\* Mr. B.C.P. Singh has resigned with effect from 15.02.2007



Malana Power Company Limited



## AUDITORS' REPORT

### The Members of Malana Power Company Limited

1. We have audited the attached balance sheet of Malana Power Company Limited as at March 31, 2007 and also the profit and loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
  2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
  3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
  4. Further to our comments in the Annexure referred to above, we report that:
    - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
    - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
    - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
    - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;
    - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

**For S. R. Batliboi & Associates**  
**Chartered Accountants**

**per Pankaj Chadha**  
Partner  
Membership No. : 91813

Place : Gurgaon  
Date : June 06, 2007





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

**Re: Malana Power Company Limited**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal 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.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence clauses 4 (iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (e) As informed, 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 and hence clauses 4 (iii) (e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of power. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (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 our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the 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 section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to the Company have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.



Malana Power Company Limited



- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, , customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and 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 financial institutions, banks or 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 others from banks and institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment .
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has created security in respect of the debentures outstanding during the year.
- (xx) The Company has not raised any money through a 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 course of our audit.

**For S. R. Batliboi & Associates  
Chartered Accountants**

**per Pankaj Chadha**

Partner

Membership No. : 91813

Place : Gurgaon

Date : June 06, 2007



PROUD TO BE INDIAN  
PRIVILEGED TO BE GLOBAL

Malana Power Company Limited » Annual Report 2006-2007

**BALANCE SHEET AS AT 31ST MARCH, 2007**

(Rs. '000)

	SCHEDULE	31.3.2007	31.3.2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	1,309,331	1,309,331
Reserves and surplus	2	2,022,501	1,762,875
		<b>3,331,832</b>	<b>3,072,206</b>
<b>Loan Funds</b>			
Secured loans	3	1,434,434	1,691,894
		<b>1,434,434</b>	<b>1,691,894</b>
<b>Deferred Tax Liability (net)</b>	4	<b>322,585</b>	<b>179,024</b>
Deferred Payment Liabilities (Payable towards Continuity Linked Bonus Scheme) (Amount repayable within one year Rs. Nil)		3,307	-
<b>TOTAL</b>		<b>5,092,158</b>	<b>4,943,124</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	5	3,288,745	3,290,391
Less : Depreciation		595,244	495,968
Net block		2,693,501	2,794,423
Capital Work in Progress (including capital advances)		12,704	4,167
		<b>2,706,205</b>	<b>2,798,590</b>
<b>Investments</b>	6	<b>2,050,500</b>	<b>1,920,284</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	7	19,186	18,197
Sundry debtors	8	16,920	-
Cash and bank balances	9	227,321	172,273
Other current assets	10	870	1,229
Loans and advances	11	118,685	110,908
		<b>382,982</b>	<b>302,607</b>
<b>Less: Current Liabilities and Provisions</b>			
Liabilities	12	24,477	31,014
Provisions	13	23,052	50,997
		<b>47,529</b>	<b>82,011</b>
<b>Net Current Assets</b>		<b>335,453</b>	<b>220,596</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	14	-	3,654
<b>TOTAL</b>		<b>5,092,158</b>	<b>4,943,124</b>
<b>Notes to Accounts</b>	20		

The Schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

For and on behalf of the Board of Directors

**For S. R. Batliboi & Associates**  
Chartered Accountants

**Ravi Jhunjunwala**  
**Øistein Andresen**  
**Varun Gupta**

Chairman & Managing Director  
Director  
Company Secretary

**per Pankaj Chadha**  
Partner

Membership No. : 91813  
Place : Gurgaon  
Date : June 06, 2007



Malana Power Company Limited



## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

(Rs. in '000)

	SCHEDULE	31.03.2007	31.03.2006
<b>INCOME</b>			
Turnover		747,218	722,745
Less : Discount on prompt payments		14,606	15,820
Turnover (net)		732,612	706,925
Other income	15	43,178	16,436
<b>TOTAL</b>		<b>775,790</b>	<b>723,361</b>
<b>EXPENDITURE</b>			
Wheeling Cost		16,489	17,152
Personnel expenses	16	23,496	18,954
Operating and other Expenses	17	95,533	161,359
Depreciation		107,742	105,202
Financial expenses	18	132,342	154,681
<b>TOTAL</b>		<b>375,602</b>	<b>457,348</b>
<b>Profit before tax</b>		<b>400,188</b>	<b>266,013</b>
Provision for tax (after adjusting credit of Rs. 7,266 thousand in respect of previous year)		21,528	22,385
Less: MAT credit entitlement (including Rs.3,771 thousand in respect of previous year)		(25,299)	(3,771)
Deferred tax charge		143,561	86,346
Fringe benefit tax		700	835
Wealth tax		72	55
Total tax expense		140,562	109,621
<b>Net Profit for the year</b>		<b>259,626</b>	<b>156,392</b>
Balance brought forward from previous year		502,190	397,253
Transfer from debenture redemption reserve		26,950	6,950
<b>Profit available for appropriation</b>		<b>788,766</b>	<b>560,595</b>
<b>APPROPRIATION:</b>			
Debenture redemption reserve		36,667	58,405
<b>TOTAL</b>		<b>36,667</b>	<b>58,405</b>
Surplus carried to balance sheet		752,099	502,190
<b>Earnings per share (In Rupees)</b>			
– Basic (Nominal value Rs. 10 per share)	19	1.98	1.37
– Diluted (Nominal value Rs. 10 per share)		1.98	1.35
<b>Notes to Accounts</b>	20		

The Schedules referred to above and the notes to accounts form an integral Part of the Profit and Loss Account.

As per our report of even date

For and on behalf of the Board of Directors

**For S. R. Batliboi & Associates**  
Chartered Accountants

**Ravi Jhunjhunwala**  
**Øistein Andresen**  
**Varun Gupta**

Chairman & Managing Director  
Director  
Company Secretary

**per Pankaj Chadha**  
Partner

Membership No. : 91813

Place : Gurgaon

Date : June 06, 2007



## SCHEDULES TO THE ACCOUNTS

### SCHEDULE 1 : SHARE CAPITAL

	31.3.2007	31.3.2006
		(Rs. '000)
<b>AUTHORISED</b>	<b>1,350,000</b>	<b>1,350,000</b>
135,000,000 (Previous year 135,000,000) equity shares of Rs. 10/- each		
<b>ISSUED AND SUBSCRIBED</b>		
130,933,140 (Previous year 130,933,140) equity shares of Rs. 10/- each	<b>1,309,331</b>	<b>1,309,331</b>
<b>PAID -UP</b>		
130,933,140 (Previous year 130,933,140) equity shares of Rs. 10/- each, fully paid up	<b>1,309,331</b>	<b>1,309,331</b>
	<b>1,309,331</b>	<b>1,309,331</b>

### SCHEDULE 2 : RESERVES AND SURPLUS

	31.3.2007	31.3.2006
		(Rs. '000)
<b>SECURITIES PREMIUM ACCOUNT</b>		
Balance as per last account	<b>1,180,493</b>	149,040
Add: Received during the year	– <b>1,180,493</b>	1,031,453
<b>Debenture Redemption Reserve</b>		
Balance as per last account	<b>80,192</b>	28,737
Add: Transferred from profit and loss account	<b>36,667</b>	58,405
Less: Transferred to profit and loss account on redemption of debentures	<b>26,950</b>	6,950
<b>Profit and Loss Account</b>	<b>752,099</b>	<b>502,190</b>
	<b>2,022,501</b>	<b>1,762,875</b>



Malana Power Company Limited



### SCHEDULE 3 : SECURED LOANS

(Rs. '000)

	31.3.2007		31.3.2006	
<b>DEBENTURES</b>				
Redeemable Non-Convertible Debentures of Rs.1,000 thousand each	250,000		250,000	
Less : Redemption till date of Rs. 389 thousand (Previous year Rs. 278 thousand) on each debenture	97,222	152,778	69,444	180,556
Redeemable Non-Convertible Debentures of Rs.10,000 thousand each	540,000		540,000	
Less : Redemption till date of Rs. 1481 thousand (Previous Year Rs. Nil) on each debenture"	80,000	460,000	–	540,000
<b>Loans and advances from banks</b>				
<b>Term loans</b>				
– Rupee loans	738,248		871,395	
– Foreign currency loans	83,408	821,656	99,943	971,338
		<b>1,434,434</b>		<b>1,691,894</b>

#### Notes :

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

(b) 150, 7.75% debentures of Rs.1,000 thousand each privately placed with General Insurance Corporation Ltd., New India Assurance Ltd. and Punjab National Bank equally and 100, 7.865% debentures of Rs.1,000 thousand each privately placed with Bank Of Baroda are redeemable in 36 equal quarterly instalments commencing from 31st December 2003. These debentures are redeemable at par.

(c) The above debentures are subject to a call and put option which may be exercised by the debenture holders or the Company respectively in November 2007.
- (a) Redeemable Non Convertible Debentures ( NCD ) for Rs. 54 crores have been issued to M/s Infrastructure Development Finance Company Limited (IDFC). These debentures are secured by way of first mortgage and charge on land situated at village Budasan (Gujarat) together with all estate rights etc. present & future of the Company. They are further secured by a first charge on the whole of the immovable and movable properties, both present and future of the company on pari-passu basis.

(b) 54, 8.52% debentures of Rs. 1 crore each are redeemable in 27 quarterly installments commencing from 15th April 2006. These debentures are redeemable at par.
- Other term loan from banks are secured by way of first mortgage/charge on all the immovable properties wherever situated and hypothecation of all other assets, rights etc. present & future of the company on pari-passu basis.
- Debentures and loans and advances from banks aggregating to Rs. 258,179 thousand (Previous year Rs. 253,555 thousand) are repayable within one year.



## SCHEDULE 4 : DEFERRED TAX LIABILITY (NET)

(Rs. '000)

	31.3.2007	31.3.2006
<b>Deferred Tax Liabilities</b>		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	518,972	502,029
<b>Gross Deferred Tax Liabilities</b>	<b>518,972</b>	<b>502,029</b>
<b>Deferred Tax Assets</b>		
Brought forward unabsorbed depreciation	196,131	322,795
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	256	210
<b>Gross Deferred Tax Assets</b>	<b>196,387</b>	<b>323,005</b>
<b>Net Deferred Tax Liability</b>	<b>322,585</b>	<b>179,024</b>

## SCHEDULE 5 : FIXED ASSETS

(Rs. '000)

	Land-Freehold	Road & Building	Civil Works	Transmission Lines	Plant & Machinery	Furniture & Fittings	Office & Other Equipments	Vehicles	Total Tangible Assets	Software	Total Intangible Assets	Total	Previous Year
<b>Gross Block</b>													
At 01.04.2006	21,517	223,196	1,845,015	199,668	969,147	4,587	6,879	13,548	3,283,557	6,834	6,834	3,290,391	3,280,903
<b>Additions</b>	-	1,762	2,250	2	1,529	607	1,524	4,901	12,575	4,829	4,829	17,404	11,092
<b>Deductions/ Adjustments</b>	-	-	-	-	14,200	123	229	4,498	19,050	-	-	19,050	1,604
<b>At 31.03.2007</b>	<b>21,517</b>	<b>224,958</b>	<b>1,847,265</b>	<b>199,670</b>	<b>956,476</b>	<b>5,071</b>	<b>8,174</b>	<b>13,951</b>	<b>3,277,082</b>	<b>11,663</b>	<b>11,663</b>	<b>3,288,745</b>	<b>3,290,391</b>
<b>Depreciation</b>													
At 01.04.2006	-	34,737	217,130	48,960	176,926	2,674	3,148	6,247	489,822	6,146	6,146	495,968	392,081
<b>For the year</b>	-	6,765	47,052	10,535	37,694	412	1,226	2,254	105,938	1,804	1,804	107,742	105,202
<b>Deletions / Adjustments</b>	-	-	-	-	5,277	26	131	3,032	8,466	-	-	8,466	1,315
<b>At 31.03.2007</b>	-	41,502	264,182	59,495	209,343	3,060	4,243	5,469	587,294	7,950	7,950	595,244	495,968
<b>Net Block</b>													
31.03.2007	21,517	183,456	1,583,083	140,175	747,133	2,011	3,931	8,482	2,689,788	3,713	3,713	2,693,501	2,794,423
<b>Capital Work in Progress</b>													
<b>Building under erection</b>												5,979	872
<b>Capital Advances</b>												6,725	3,295
<b>Sub Total</b>												12,704	4,167
<b>Total Fixed Assets</b>	<b>21,517</b>	<b>183,456</b>	<b>1,583,083</b>	<b>140,175</b>	<b>747,133</b>	<b>2,011</b>	<b>3,931</b>	<b>8,482</b>	<b>2,689,788</b>	<b>3,713</b>	<b>3,713</b>	<b>2,706,205</b>	<b>2,798,590</b>
<b>Net Block</b>													
31.03.2006	21,517	188,459	1,627,885	150,708	792,221	1,913	3,731	7,301	2,793,735	688	688	2,794,423	

### Notes :

- 1) Building includes cost of road Rs.122,838 thousand (Previous year 122,838 thousand) constructed on forest land diverted for the project under irrevocable right to use.
- 2) Transmission Lines includes Rs.4,181 thousand (Previous year Rs. 4,181 thousand) towards cost of land and compensation paid to Forest Department for construction of Transmission towers under irrevocable right to use.



Malana Power Company Limited



## SCHEDULE 6 : INVESTMENTS

(Rs. '000)

	31.3.2007	31.3.2006
<b>Long Term Investments (At Cost) in Subsidiary Company</b>		
<b>Unquoted</b>		
191,050,000 (Previous year 191,050,000) equity shares of Rs. 10 each fully paid of AD Hydro Power Limited (pledged with security trustee on behalf of lenders of AD Hydro Power Limited)	1,910,500	1,910,500
Share application money pending allotment in AD Hydro Power Limited *	140,000	9,784
	<b>2,050,500</b>	<b>1,920,284</b>

\*due from a Company under the same management minimum amount outstanding during the year Rs. 140,000 thousand (previous year Rs. 1,915,589 thousand)

## SCHEDULE 7 : INVENTORIES

(Rs. '000)

	31.3.2007	31.3.2006
Stores and spares	19,186	18,197
	<b>19,186</b>	<b>18,197</b>

## SCHEDULE 8 : SUNDRY DEBTORS

(Unsecured, Considered good)

(Rs. '000)

	31.3.2007	31.3.2006
Outstanding for a period exceeding six months	–	–
Other debts	16,920	–
	<b>16,920</b>	<b>–</b>

## SCHEDULE 9 : CASH AND BANK BALANCES

(Rs. '000)

	31.3.2007	31.3.2006
Cash on hand	342	388
Balances with scheduled banks:		
On current accounts	39,995	33,202
On deposit accounts	186,155	137,854
On margin money accounts	829	829
	<b>227,321</b>	<b>172,273</b>

**Included in Deposit Accounts are :**

- Fixed Deposit of Rs. 200 thousand pledged with the H. P. Government Sales Tax Department and Rs. 854 thousand pledged with Himachal Pradesh State Electricity Board





## SCHEDULE 10 : OTHER CURRENT ASSETS

	(Rs. '000)	
	31.3.2007	31.3.2006
Interest accrued on deposits and others	870	1,229
	870	1,229

## SCHEDULE 11 : LOANS AND ADVANCES

Unsecured, considered good		(Rs. '000)	
	31.3.2007	31.3.2006	
Loans to employees	1,809	886	
Advances recoverable in cash or in kind or for value to be received	27,176	35,734	
MAT credit entitlement	25,299	-	
Loan to a body corporate	-	6,244	
Payment of income tax/ tax deducted at source	61,037	64,673	
Deposits - others	3,364	3,371	
	118,685	110,908	
<b>Included in Loans and Advances are :</b>			
i. Dues from a director of the company (Maximum amount outstanding during the year Rs. Nil thousand (previous year Rs. 4,664 thousand)	Nil	Nil	

## SCHEDULE 12 : LIABILITIES

	(Rs. '000)	
	31.3.2007	31.3.2006
Sundry creditors	18,252	25,772
Deposits from contractors and others	1,749	1,532
Interest accrued but not due on loans	2,221	2,017
Other liabilities	2,255	1,693
	24,477	31,014



Malana Power Company Limited



### SCHEDULE 13 : PROVISIONS

	(Rs. '000)	
	31.3.2007	31.3.2006
Taxation	22,300	50,373
Leave encashment	752	624
	<b>23,052</b>	<b>50,997</b>

### SCHEDULE 14 : MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

	(Rs. '000)	
	31.3.2007	31.3.2006
<b>Deferred Revenue Expenditure</b>		
Balance as per last account	3,654	14,911
Less : Written off	3,654	11,257
	-	3,654

### SCHEDULE 15 : OTHER INCOME

	(Rs. '000)	
	31.3.2007	31.3.2006
Interest on bank deposits and others (Gross, Tax Deducted at Source Rs. 2,506 thousand, Previous year Rs. 2,438 thousand)	21,636	11,098
Insurance claim	9,095	4,050
Foreign exchange fluctuation (net)	5,465	
Profit on sale/discard on fixed assets	6,602	19
Miscellaneous income	380	1,269
	<b>43,178</b>	<b>16,436</b>

### SCHEDULE 16 : PERSONNEL EXPENSES

	(Rs. '000)	
	31.3.2007	31.3.2006
Salaries, wages and other expenses	19,407	14,466
Contribution to provident and other funds	1,569	1,509
Workmen and staff welfare expenses	2,520	2,979
	<b>23,496</b>	<b>18,954</b>



## SCHEDULE 17 : OPERATING AND OTHER EXPENSES

	31.3.2007	31.3.2006
(Rs. '000)		
<b>Repairs and maintenance</b>		
Plant and machinery	25,907	94,184
Civil works	1,099	1,842
Buildings	394	249
Others	767	621
Rent	878	611
Rates and taxes	10	24
Insurance	15,733	17,147
Traveling & Conveyance	7,633	5,588
Director's remuneration	8,471	7,955
Commission to Managing Director	3,658	2,297
<b>Auditor's remuneration :</b>		
– Audit fee	457	448
– Other services	342	331
– Out of pocket expenses	21	15
Donations and contributions (other than to political parties)	34	16
Deferred revenue expenditure written off	3,655	11,257
Miscellaneous expenses	26,474	18,774
	<b>95,533</b>	<b>161,359</b>

## SCHEDULE 18 : FINANCIAL EXPENSES

	31.3.2007	31.3.2006
(Rs. in '000)		
<b>Interest</b>		
– On debentures	55,284	17,449
– On fixed loans	74,073	114,708
– Foreign exchange fluctuation (net)	–	2,276
– Bank charges including guarantee commission	2,985	20,248
	<b>132,342</b>	<b>154,681</b>



Malana Power Company Limited



## SCHEDULE 19 : EARNINGS PER SHARE (EPS)

	31.3.2007	(Rs. in '000)
Net profit as per profit and loss account	259,626	242,738
Equivalent number of equity shares of Rs.10 each at the beginning of the year	130,933,100	74,875,900
Equivalent equity shares allotted - Rs. 10 paid up		56,057,240
Total number of equity shares of Rs.10 each at the end of the year	130,933,100	130,933,140
Equivalent weighted average number of equity shares of Rs.10 each at the end of the year for calculation of basic EPS	130,933,100	114,009,942
Equivalent weighted average number of equity shares of Rs.10 each at the end of the year for calculation of dilutive EPS	130,933,100	115,745,075
Basic Earnings Per Share (in Rupees)	1.98	1.37
Diluted Earnings Per Share (in Rupees)	1.98	1.35



## SCHEDULE 20 : NOTES TO ACCOUNTS

### 1. Nature of Operations

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

### 2. Statement of Significant Accounting Policies.

#### (a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in respect of following items, which are accounted for on acceptance basis since the exact quantum in respect thereof cannot be ascertained with reasonable accuracy:

- i) Income on account of claims lodged with insurance company but not settled, and
- ii) Unscheduled Inter - change charges receivable from HPSEB.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### (b) Fixed Assets

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

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

#### (c) Depreciation

- (i) On the assets of generating unit, depreciation is provided as per straight-line method (pro-rata basis) at the rates prescribed by the Central Government vide Notification Number S.O. 266(E) dated 29th March 1994 issued under the Electricity (Supply) Act, 1948.
- (ii) On Plant & Machinery other than those covered under (i) above, depreciation is provided on straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- (iii) On fixed assets other than those covered under (i) and (ii) above, depreciation is provided on written down value method at the rates prescribed in Schedule - XIV to the Companies Act, 1956.
- (iv) Depreciation on software is provided on written down value method at the rate of 40% per annum based on its estimated useful life.

#### (d) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried 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 investments.

#### (e) Inventories

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



Malana Power Company Limited



**(f) 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.

*Sale of Electricity*

Revenue from sale of electricity is recognised on the basis of invoices raised on the customer in respect of electricity scheduled to be supplied, which approximates the actual electricity transmitted.

*Interest*

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

**(g) Miscellaneous expenditure to the extent not written off or adjusted**

Premium paid on prepayment of high cost debts is amortised equally over a period of 5 years or the balance period of loan, whichever is less.

**(h) Foreign currency translation**

*Foreign currency transactions*

(i) 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.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. 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.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on restatement of 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, except exchange differences on transactions relating to fixed assets acquired from a country outside India, which are adjusted to the carrying amount of fixed assets.

(iv) Forward Exchange Contracts

In respect of forward exchange contracts entered into by the Company, the difference between the contracted rate and the rate at the date of transaction is recognized as gain or loss over the period of contract except for difference in respect of liabilities incurred for acquiring fixed assets from a country outside India, in which case such difference is adjusted in the carrying amount of the respective fixed assets. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year, except profit or loss on transactions relating to acquisition of fixed assets from a country outside India, which is adjusted to the carrying amount of fixed assets.

**(i) Retirement and other employee benefits**

(i) Retirement benefits in the form of Provident Fund and Superannuation Schemes are charged to the Profit & Loss Account of the year when the contributions to the respective funds are due. There is no other obligation other than the contribution to the respective fund.

(ii) The Company has taken an insurance policy under Group Gratuity Scheme to cover the gratuity liability of the employees and amount paid/ payable in respect of present value of liability for past services is charged to Profit & Loss Account on the basis of actuarial valuation carried out at the end of the financial year.

(iii) Liability for leave encashment is provided for on actuarial valuation basis at the end of the financial year.



- (iv) Liability under continuity linked bonus scheme is provided for on actual basis in accordance with the period of service accrued during the year.

**(j) Income taxes**

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized 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. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**(k) 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 year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting year. 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.

**(l) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event 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 best 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

**(m) Cash and Cash equivalents**

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

**(n) Derivative Instruments**

The Company uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency fluctuations. Accounting policy for forward exchange contracts is given in note h(iv) above.

3. The Company is eligible for tax holiday under Section 80-IA of the Income Tax Act, 1961. In view of unabsorbed depreciation in the initial years, the Company has not yet availed the tax holiday benefit. However, based on its present profitability projections, it may decide to avail the deduction from the accounting year 2008-09 till 2015-16. The management, based on the present trend of profitability and also the future profitability projections, feels that there would be sufficient taxable income in future which will enable the Company to utilise the deferred tax assets created on unabsorbed depreciation.
4. The Company is liable to pay Income-Tax for the year under the provisions of Section 115JB of the Income-Tax Act, 1961. Based on expert opinion, Deferred Tax as provided for in the books of account, pursuant to Accounting Standard 22 issued by



Malana Power Company Limited



the Institute of Chartered Accountants of India, has been considered as an admissible deduction from net profit for determining Book Profit under Section 115JB (2) of the Income-Tax Act,1961.

5. The Company has recognized Rs. 25,299 thousand as MAT Credit Asset which represents that portion of MAT liability, which can be recovered based on the provision of Section 115JAA of the Income Tax Act, 1961. The management based on the present trend of profitability and also the future profitability projections, opines that there would be sufficient taxable income in foreseeable future, which will enable the Company to utilize MAT credit assets.
6. The Company has signed a Quadripartite Agreement on 5th November, 2005 with Rajasthan Spinning & Weaving Mills Ltd (RSWM) (the holder of Implementation rights of 192 MW Allain Duhangan Hydro Electric Project), AD Hydro Power Limited (ADHPL) and Government of Himachal Pradesh for the Implementation of 192 MW Allain Duhangan Hydro Electric Project by ADHPL.
7. A sum of Rs. Nil thousand (Previous year Rs. 291 thousand) on account of unamortised foreign exchange premium on outstanding forward exchange contracts is being carried forward to be charged to Profit and Loss Account of subsequent period.
8. 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. 5.7.2001 with the option to avail a further extension for a maximum period of twenty years after renegotiation of terms and conditions.
9. As the Company's business activity falls within a single primary business segment viz. Power generation, the disclosure requirements of Accounting Standard (AS-17)"Segment Reporting", issued by The Institute of Chartered Accountants of India are not applicable.

10. **Related Party Disclosure**

(a) **Name of related party**

Subsidiary Company	AD Hydro Power Limited
Key Management Personnel	Mr. Ravi Jhunjunwala, Chairman & Managing Director
Relatives of key management personnel	Mr. Riju Jhunjunwala (son of the Chairman & Managing Director) Mr. Rishabh Jhunjunwala (son of the Chairman & Managing Director)
Enterprises owned or significantly influenced by key management personnel or their relatives	HEG Limited, RSWM Limited, Indo Canadian Consultancy Services Limited.





**(b) Transaction with related parties**

(Rs. '000)

Nature of Transaction	Subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprise over which key management personnel/relative having significant influence	
	2007	2006	2007	2006	2007	2006	2007	2006
<b>Transactions during the year</b>								
Rent								
a) Mr. Rishabh Jhunjunwala					1,551	1,457		
b) Mr. Riju Jhunjunwala					1,551	1,457		
c) RSWM Limited							876	609
Consultancy service charges paid to Indo Canadian Consultancy Services Limited.							2,521	306
Remuneration paid to Mr. Ravi Jhunjunwala, Chairman & Managing Director			8,471	7,955				
Commission paid to Mr. Ravi Jhunjunwala, Chairman & Managing Director			3,658	2,297				
Interest recovered from Indo Canadian Consultancy Services Limited							362	483
Other services charges paid to HEG Limited							1,171	923
Share application money given to AD Hydro Power Limited (net)	130,216	1,345,774						
Sale of fixed assets to AD Hydro Power Limited	16,089	–						
Loans / Advance taken / received back (net) from Indo Canadian Consultancy Services Limited							6,244	426
<b>Balance outstanding as at the year end</b>								
Investment in AD Hydro Power Limited	1,910,500	1,910,500						
Loan & Advances :								
AD Hydro Power Limited (Share application money)	140,000	9,784						
Indo Canadian Consultancy Services Limited							28	6,244
Mr. Riju Jhunjunwala							–	153
Mr. Rishabh Jhunjunwala							–	153
Sundry Creditors - Mr. Ravi Jhunjunwala			3,658	399				
Guarantees given by the Company on behalf of AD Hydro Power Limited	450,000	450,000						

Note: Reimbursement of expenses to and from related parties on actual basis has not been considered above.



Malana Power Company Limited



### 11. Contingent Liabilities not provided for

Claims made against the Company not acknowledged as debts -

- (a) Demand from Divisional Forest Officer in respect of damages to forest trees Rs 3,564 thousand (Previous year - Rs.3,564 thousand).
- (b) Demand of Stamp Duty and registration fees Rs. 40,990 thousand (Previous year Rs. Nil)

### 12. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 50,557 thousand (Previous Year Rs Nil thousand)

### 13. Supplementary Statutory Information

(Rupees '000)

	2007	2006
<b>(a) Managing Directors Remuneration</b>		
Salaries	4,925	4,625
Commission	3,658	2,297
Rent paid	2,955	2,775
Contribution to Provident Fund	591	555
	<b>12,129</b>	<b>10,252</b>
	<b>2007</b>	<b>2006</b>
<b>(b) Computation of net profit in accordance with Section 198 read with Section 349 of the Companies Act, 1956 :</b>		
Profit for the year before taxation as per Profit & Loss Account	400,188	266,013
Add: Depreciation as per Profit & Loss Account	107,742	105,202
Directors' remuneration	12,129	10,252
	<b>520,059</b>	<b>381,467</b>
Less: Depreciation u/s 350 of the Companies Act	154,273	151,733
Profit on sale of Fixed Assets	-	19
Net Profit in accordance with Section 198 and 349	<b>365,786</b>	<b>229,715</b>
Commission @ 1% of Net Profit	3,658	2,297
<b>(c) Expenditure in foreign currency (cash basis)</b>		
Travelling	2,540	107
Professional Services	1,198	2,277
<b>(d) Value of imports calculated on CIF basis</b>		
Machinery Spares	-	26,366

14. Amount payable to Small Scale undertakings as at 31st march 2007 is Rs. Nil (previous year Rs. Nil) to the extent such parties have been identified from available information.



15. Disclosure as per Section 22 of "The Micro, Small and Medium Enterprises Development Act, 2006"

Sl. No.	Particulars	Amount (Rs. '000)
i)	The principal amount and the interest due thereon remaining unpaid to any supplier	
	– Principal amount	Nil
	– Interest thereon	Nil
ii)	the amount of interest paid by the buyer in terms of section 18, along with the amounts of the payment made to the supplier beyond the appointed day	Nil
iii)	the amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	Nil
iv)	the amount of interest accrued and remaining unpaid	Nil
v)	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small investor	Nil

16. Derivative instruments and unhedged foreign currency exposure.

Forward contract outstanding as at Balance sheet date.

Particular of Derivatives	2006-07	2005-06	Purpose
Foreign Currency Loans US \$	Nil	2,240,000	Hedge of loan

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

(Rs. '000)

Particulars	2006-07	2005-06
Foreign Currency Loan	83,408	–

17. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

a) Information in respect of generation and Turnover:

		2007	2006
(i)	Installed capacity (as certified by the Management)	86 MW	86 MW
(ii)	Generation	M.U. 326.993	340.221
(iii)	Less: Auxiliary Consumption and Associated Transmission Loss	M.U. 3.688	3.915
	Free Energy to Govt. of H.P.	M.U. 48.496	50.446
	Free Energy to HPSEB for wheeling of power	M.U. 10.992	11.434
(iv)	Turnover (including impact of UI Charges - 1.541 M.U., Previous year 0.026 MU)	M.U. 265.358	274.400
		Rs'000 747,218	722,745

b) Imported and indigenous stores and spare parts consumed:

Stores & Spares	Percentage of total consumption		Value (Rs. '000)	
	2007	2006	2007	2006
Imported	–	63.92	–	39,728
Indigenously obtained	100.00	36.08	22,153	22,421
	100.00	100.00	22,153	62,149

18. Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

For and on behalf of the Board of Directors

For S.R.Batliboi & Associates  
Chartered Accountants

Ravi Jhunjunwala  
Øistein Andresen  
Varun Gupta

Chairman & Managing Director  
Director  
Company Secretary

per Pankaj Chadha  
Partner

Membership No. : 91813

Place : Gurgaon

Date : June 06, 2007



Malana Power Company Limited



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

PARTICULARS	(Rs. '000)	
	2007	2006
<b>A. Cash flow from operating activities</b>		
<b>Net profit before taxation</b>	<b>400,188</b>	266,013
Adjustments for:		
Depreciation	107,742	105,202
Interest expenses	129,357	132,157
Deferred revenue expenses written off	3,655	11,257
Profit on fixed assets sold / discarded (net)	(6,602)	(19)
Provision under loyalty bonus scheme	3,307	-
Unrealised foreign exchange loss/(gain)	(2,259)	3,305
Interest income	(21,636)	(11,098)
<b>Operating profit before working capital changes</b>	<b>613,752</b>	506,817
Movements in working capital:		
Decrease / (increase) in sundry debtors	(16,920)	14,941
Decrease / (increase) in loan and advances	13,885	592,171
Increase in inventories	(989)	(4,067)
Decrease in current liabilities	(6,613)	(171)
Cash generated from operations	603,115	1,109,691
Direct taxes paid (Net of refund)	46,737	27,292
<b>Net cash from operating activities</b>	<b>556,378</b>	1,082,399
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(25,941)	(15,259)
Purchase of investments	-	(1,910,500)
Share application money paid	(130,216)	-
Proceeds from sale of fixed assets	17,186	308
Interest received	21,995	10,605
Fixed deposits given	(451,426)	(317,442)
Fixed deposits encashed	557,726	213,395
<b>Net cash from/ (used in) investing activities</b>	<b>(10,676)</b>	(2,018,893)



PARTICULARS	(Rs. '000)	
	2007	2006
<b>C. Cash flows from financing activities</b>		
Proceeds from issuance of share capital	–	1,361,986
Proceeds from long term borrowings	–	759,395
Repayment of long -term borrowings	(255,201)	(1,019,788)
Interest paid	(129,153)	(131,844)
<b>Net cash from/(used in) financing activities</b>	<b>(384,354)</b>	969,749
<b>Net increase in cash and cash equivalents( A+B+C)</b>	<b>161,348</b>	33,255
<b>Cash and cash equivalents at the beginning of the year</b>	<b>64,290</b>	31,035
<b>Cash and cash equivalents at the end of the year</b>	<b>225,638</b>	64,290
<b>Components of cash and cash equivalents</b>		
Cash on hand	342	388
With banks – on current accounts	39,995	33,202
– on deposit accounts *	185,301	30,700
– on margin money account *	–	–
	<b>225,638</b>	64,290

\*excluding Rs. 1,683 thousands (previous year Rs. 107,983 thousand in respect of deposits with original maturity of a period more than three months).

As per our report of even date attached

**For S.R.Batliboi & Associates**

Chartered Accountants

**per Pankaj Chadha**

Partner

Membership No. : 91813

Place : Gurgaon

Date : June 06, 2007

For and on behalf of the Board of Directors

**Ravi Jhunjunwala**

Chairman & Managing Director

**Øistein Andresen**

Director

**Varun Gupta**

Company Secretary



Malana Power Company Limited



## BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

(As per Schedule VI Part (iv) of the Companies Act, 1956)

### 1. Registration Details

Registration No.  State Code   
 Balance Sheet Date

### 2. Capital Raised during the year (Amount in Rupees Thousands)

Public Issue  Right Issue   
 Bonus Issue  Private Placement

### 3. Position of Mobilisation and Deployment of Funds (Amount in Rupees Thousands)

Total Liabilities  Total Assets

#### Sources of Funds

Paid-up Capital   
 Reserves & Surplus   
 Share Application Money   
 Deferred Tax Liability   
 Deferred Payment Liability   
 Secured Loans   
 Unsecured Loans

#### Application of Funds

Net Fixed Assets   
 (incl. P.O.P exps.)  
 Investment   
 Net Current Assets   
 Miscellaneous Expenditure   
 Accumulated Losses

### 4. Performance of Company (Amount in Rupees Thousands)

Turnover including other income  Total Expenditure   
 Profit/Loss before tax  Profit/Loss after tax   
 Earning per share (in Rs.)  Dividend Rate (%)

### 5. Generic Names of Three Principal Products / Services of the Company (As per monetary terms)

Item Code No. (ITC Code)   
 Product Description

For and on behalf of the Board of Directors

**Ravi Jhunjunwala** Chairman & Managing Director  
**Øistein Andresen** Director  
**Varun Gupta** Company Secretary

Place : Manalinali  
 Dated: June 05, 2007



## Statement Regarding Subsidiary Company Pursuant to Section 212(1) & (3) of the Companies Act, 1956

1. Name of the subsidiary	<b>AD Hydro Power Limied</b>
2. Financial period ended	March 31, 2007
3. Holding company's interest	90.08% in equity shares
4. Shares held by the holding company in the subsidiary	191,050,000 equity shares of Rs.10 each fully paid up Amounting to Rs.19,105 lacs
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
6. 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

**Ravi Jhunjunwala** Chairman & Managing Director  
**Øistein Andresen** Director  
**Varun Gupta** Company Secretary

Place : Manali  
Dated: June 05, 2007



## Directors' Report

TO THE MEMBERS,

### AD HYDRO POWER LIMITED

On behalf of the Board of Directors, I have pleasure in presenting the Fourth Annual Report of the Board along with the audited statement of accounts for the year ended 31st March, 2007 together with the Auditors' Report.

The Company has not yet started its commercial activities and therefore no Profit and Loss Account has been prepared and the expenditure incurred has been shown under Schedule -5 under the head "Project & Pre-operative Expenses ( Pending Allocation )" to the Balance Sheet.

#### 1.0 PROJECT EXPENSES

During the financial year ending 31st March, 2007, the following expenditure has been incurred on the project as per the details given below:

<i>(Rs. in Million)</i>	
PARTICULARS	AMOUNT
Fixed Assets ( Gross )	236.39
Capital Work in Progress	4032.31
Preoperative Expenses	1031.56
Net Current Assets	864.31
Miscellaneous	.03
<b>TOTAL</b>	<b>6164.60</b>

#### 2.0 CONSTRUCTION ACTIVITIES

The construction work is in full swing at project site despite tough weather conditions and terrain. The progress on construction activities are detailed below:

##### 2.1 Infrastructure Works

The construction work of Field Hostel has been completed and construction of about 87 Houses of township has commenced in Sept, 2006. Road of 16 km from Prini village to the Allain head works is complete. Construction of 12Km long road between Jagatsukh village and Duhangan diversion site is in advance stage of completion.

##### 2.2 Engineering

Basic design and detailed engineering activities are progressing on schedule to meet the construction requirement of the project. Out of total 262 drawings for civil works, 215 drawings have already been released for







construction. Model studies for optimization of project configuration have been carried out by LaSalle Laboratories, Canada.

### 2.3 Allain Upstream Works and Intermediate Reservoir

The contract for the Allain Upstream Works was awarded to Larsen & Toubro Ltd. The barrage has been designed to pass 50 year design flood of 662.00 cumecs. The required resources have been mobilized at barrage and intermediate reservoir locations. The excavation work and concreting work have been progressing as per schedule. At the intermediate reservoir site, approximately 65% of the total excavation had been completed.

### 2.4 Head Race Tunnel

Despite adverse geology, efforts are being made by the Project Team to complete the HRT on schedule.

### 2.5 Powerhouse

The progress of construction of Powerhouse, Pressure Shaft, Surge Shaft and Tailrace Tunnel continues to be satisfactory on all fronts. The Powerhouse cavern excavation is complete. The EOT crane columns have been erected in service bay and unit bay. The EOT crane has been erected and tested. All the excavation work in the Power House and Transformer cavern is complete.

### 2.6 Electro Mechanical Equipments

Model test of Turbine and Generator has been successfully completed during the year at BHEL, Bhopal. All first stage embedments have reached the site. All first stage embedments drawings, foundation drawings for Turbine, Generator & MIV

required for civil design have been approved. Erection and testing of EOT crane in power house is complete. The crane is now fully operational in the service bay area.

Contract for transformer was awarded to Areva T & D (India) Ltd during the year. The progress in this package is as per agreed schedule with the contractor. All drawings and Quality Assurance Plan have been approved. The order for penstock protection butterfly valve has been placed and the design activity is in progress. The work for switchyard has been awarded to VOLTECH during the year and the civil works in the switchyard area scheduled to start in July 2007.

### 2.7 Transmission Line

The contract for construction of transmission line of 220 KV D/C Line for 62.5 km from ADHEP up to Panarsa was awarded to M/s. Reliance Energy Ltd (REL) during the year under review. Engineering for this section is essentially complete. A detailed schedule has been drawn for the progress as well for various activities for the Transmission line work and procurement of tower, conductors etc. The progress so far has been as per the agreed schedule.

The construction works for Transmission line of 220 KV D/C Line for 120 Kms from Banala to Nalagarh was also assigned during the year to M/s. Larsen & Toubro Ltd. Survey route has been completed.

Efforts are on hand to obtain the requisite permission for diversion of the forest land within the schedule period.

Good progress has been made in acquisition of tower spots in privately owned land.





### 2.8 Quality Assurance/Quality Control

RSW International Inc., Canada has been given the overall responsibility for quality management on the project and it is also acting as the Quality-in-charge. The quality control program has been supervised by the site inspection staff and SGS Ltd. A Quality manual has been prepared as a part of quality management plan and it indicates quality assurance, quality control and quality acceptance procedures. Quality control is being carried out through testing of materials used in the construction and manufacture and through various inspections and tests required during the construction / manufacture process. A well equipped site laboratory for the testing of materials for the civil works contracts is fully operational.

### 3.0 SHARE CAPITAL

During the year under review, International Finance Corporation, Washington infused equity of Rs. 210.3 Millions in the Company and became the shareholder in the company which is about 67% of the total IFC equity commitments.

### 4.0 STATUS OF FINANCING

The company achieved complete execution of the financing documentation for the debt amount of Rs. 5822.2 million. During the year the Company availed disbursements to the tune of Rs. 3860 million which includes disbursement of Rs. 760 million from IFC, Washington.

To mitigate the rising interest rates the company also underwent debt restructuring during the year by replacement of subordinate debt with senior debt. The Company also inducted IDBI Ltd as a senior lender. Due to the support and cooperation

rendered by the lenders to the project the Company was able to maintain the weighted average rate of interest at the level of 8.85 % annum even in the scenario in which the interest rates soared high in the country owing to liquidity and inflationary pressures.

### 5.0 CLEAN DEVELOPMENT MECHANISM

Your company had been making serious efforts for getting the CERs of the Company registered under the Carbon Credit Mechanism. Based on the continuing efforts the United Nations Framework Convention on Climate Change (UNFCCC) registered the Allain Duhangan Hydro Electric Project for availing carbon credit benefits. During the year your company also executed an “Emission Reduction Purchase Agreement” with International Bank for Reconstruction and Development (IBRD) acting as trustee for Italian Carbon fund for sale of carbon credits.

### 6.0 ENVIRONMENT, HEALTH AND SAFETY

Your Company has taken best possible measures to comply with the regulatory norms for prevention and control of pollution. The Company has implemented Environmental Management Plan to address various environmental and social issues. Your Company is following the norms to implement the Environmental Management plan as per the guidelines of IFC, Washington. HPSEB approved muck disposal plan is also being implemented in the project.

A minimum of 30% of the muck generated will be reused in the project. Adequate safeguards to retain the muck in the disposal sites are being taken up by project team. These disposal sites are planned to be greened as the project construction draws to close. The accommodation at labour camps is being maintained





properly in accordance with safety regulations and environmental health. Management of labor camps also includes prevention of illegal felling of trees, usage of kerosene or LPG as primary fuel in labor camps.

The plan for air pollution control is adhered to in the project as per norms of the pollution board. Water is sprinkled on roads to suppress dust. Air qualities are being monitored at the working face of tunnels and adits using the hand-held monitoring equipment. Plan for control of water pollution includes treatment of waste water generated from colony, camp and workshops and regular participatory monitoring of treated waste water before discharge. The laboratory at site is functional. The water quality is being monitored from 6 stations on Allain and 5 in Duhangan stream.

In pursuance of its commitment to protect the environment, your Company has paid a sum of

Rs. 153.6 millions to the government towards the loss of environment value, compulsory afforestation, cost of tree felling and Catchment Area Treatment Plan, besides undertaking a greening plan for the entire project area.

#### 7.0 CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to meeting its social commitments. Our vision continues to place social responsibility at the heart of our dealings with local communities, stakeholders and environments in which we operate. The corporate social responsibility measures include compensation against land acquisition as per negotiated rates, training/skill capacity building for income generating facilitation, community development plan, formation of a Monitoring cell for monitoring of RAP, provision for option, value and quality for Families losing > 75% of the land, Community Development Programme (CDP) using participatory approach. Many villagers are involved in the road construction up to Duhangan weir. Community Development Programmes (CDP) is in progress which includes improvement of water quality in nearby Jagatsukh village, providing street lights, community toilets and dental and veterinary camps. There is a provision of training to the affected families for skill enhancement.

The Health Centre at Prini village and Jagatsukh village are progressing well and have been helpful to the villagers. Prini Health Centre has also procured pathological testing equipments for ensuring better medicare. During the year, Company also incurred significant expenditure on religious and welfare activities of local communities at Project Site.

#### 8.0 HUMAN RESOURCE DEVELOPMENT

The Company values human resources very vital to the augmentation of the organization. Management encourages friendly job culture and recognizes initiatives and performance of the individuals. The Company encourages new ideas and views of young personnel in organization. Your Company has also put in place a recruitment and human resource management system, which enables it to attract and retain high caliber employees.





The security of employees is one of the prime concerns of the Management. Employees are adequately covered under various insurance policies against risk of health and life disasters. The Company recognizes serious dearth of trained expert personnel in power sector. With the growth in power sector, there is growing requirement for not just qualified engineers, but also for finance, marketing, commercial, IT and HR personnel. There is an urgent need for skilled people in power generation, distribution and trading. During the year under review, the Company introduced continuity linked bonus policy to retain and reward experience and qualified employees and established anti-corruption plan and code of ethics for employees to report concerns about unethical behavior, actual or suspected fraud or violation of code of conduct or ethics policy.

The Company started construction of quality housing complex for the employees with all recreational amenities at the site as a welfare measure. In order to underline its belief in long term relationship with its employees, the Company has introduced a Scheme which provides substantial monetary benefits on completion of each year.

Your Company is also committed to become an attractive employer in the industry. The Company continues to empower its employees to achieve business successes. The company is also committed to provide a zero injury workplace to its employees and workers all across its units. The Company aims to be recognized as industry leader in the development and implementation of safe workplace.

#### **9.0 DIVIDEND & OTHER APPROPRIATION**

As the construction work is under progress, with out any operation, no dividends are proposed to be declared during the year under operation.

#### **10.0 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY**

##### **10.1 INTERNAL CONTROL SYSTEMS**

The Audit Committee is responsible for the effectiveness of the Company's system of internal control. The system of internal control has been designed and implemented to meet the particular requirements of the Company and the risks to which it is exposed. Risk governance operates within a strongly-defined structure that is agreed by the board and monitored by the audit committee. The objectives are to identify the level of risk appropriate to the Company, taking into account the need to increase shareholder value through an entrepreneurial culture and ensuring that the Company achieves its objectives. Risk identification includes both actual and potential risks. Mitigation of risks and compensating controls are implemented and monitored.

##### **10.2 INTERNAL AUDIT**

Internal audit provides a self-governing, objective assurance and consulting activity designed to add value to business processes in the company and the group and to management in a manner that will enhance the Company's operations. It assists the Company and the group to accomplish its objectives by bringing a systematic, disciplined approach in evaluating the effectiveness of the Company and the group's risk management, control and governance processes.



Internal audit plans cover matters identified in risk management assessments as well as issues highlighted by the board, the audit committee and senior management. Quarterly Internal audit reports are submitted along with the management's response to the Audit Committee. The Audit Committee monitors performance of Internal Audit on a periodic basis through review of the internal audit plans, audit findings & swiftness of issue resolution through follow ups.

#### 11.0 DISCLOSURE OF PARTICULARS

Particulars required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are given in the prescribed format as Annexure-I to the Directors' Report.

#### 12.0 PARTICULARS OF EMPLOYEES

During the year 2006-2007, No employee of the Company was covered as per 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..

#### 13.0 DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) that the accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair

view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the financial year 2006-2007;

- iii) that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act 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 going concern basis.

#### 14.0 DIRECTORS

Mr. Einar Stenstadvold and Mr. Oistein Andresen retire by rotation and being eligible offers himself for reappointment at ensuing Annual General Meeting.

#### 15.0 AUDIT COMMITTEE

During the year the company met twice to review company's financial results, internal control systems, risk management policies and internal audit reports. The audit committee of the Company comprises of three members. All the members were present in all the meetings of the audit committee and the proceedings of the committee were in accordance with the provisions of the Companies Act, 1956.

#### 16.0 AUDITORS

The Statutory Auditors M/s. S R Batliboi & Associates, Chartered Accountants, retire at the ensuing Annual General meeting of the Company and being eligible offer themselves for re-appointment.



### 17.0 AUDITORS' REMARKS

The observations made by the Auditors with reference to the Notes to the Accounts for the year under report are self-explanatory and require no further comments.

### 18.0 PUBLIC DEPOSITS

The Company has not accepted any deposits from the Public during the year under report. Therefore, provisions of Section 58A are not applicable.

### 19.0 CORPORATE GOVERNANCE

Corporate Governance is a process that aims to meet shareholders aspirations and societal expectations. It is a commitment that is backed by the fundamental belief of maximizing shareholders value, transparency in functioning, values and mutual trust amongst all the stakeholders in the organization. In case of our Company, it's not a discipline imposed by a regulator, rather a culture that guides the Board, management and employees to function towards best interest of stakeholders. In our Company, Corporate Governance philosophy stems from our belief that corporate governance is a key element in improving efficiency and growth as well as enhancing investor confidence.

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 judgement to bear on issues of strategy, performance, resources, standards of Company conduct, etc. The audit committee of the board meets regularly and provides assurance to the Board on the

adequacy of internal control systems and financial systems. The Corporate governance policy followed by the Company represents the value framework, the ethical framework and the moral framework under which business decisions are taken.

### 20.0 ACKNOWLEDGEMENTS

Your Company is indebted for the support and cooperation extended by every member of the ADHPL family. The Board of Directors sincerely acknowledge the precious assistance and continued support provided by the Ministry of Power, Government of Himachal Pradesh, Himachal Pradesh State Electricity Board, Haryana State Electricity Board, Power Trading Corporation Limited, Commercial Banks, International Finance Corporation, Washington, Financial Institutions and other Governmental Departments. The Board looks forward to their continued support and cooperation in the coming years as well.

Your Directors are pleased to place on record the appreciation for the highly motivated employees of the Company who are working zealously for the accomplishment of the Corporate Mission by believing that great works are performed not by strength but by perseverance and we look forward to their continued dedication in the years to come to enable the Company to scale even greater zenith.

**For and on behalf of the Board of Director**

Place : Manali  
Date : 5th June, 2007

**RAVI JHUNJUNWALA**  
**Chairman**





## ANNEXURE I TO THE DIRECTORS REPORT

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

1. CONSERVATION OF ENERGY - NIL
2. TECHNOLOGY ABSORPTION - NIL
  - A. RESEARCH AND DEVELOPMENT (R& D) - NIL
  - B. TECHNOLOGICAL ABSORPTION, ADAPTATION AND INNOVATION - NIL
  - C. EXPORTS & FOREIGN EXCHANGE EARNING AND OUTGO

(Rs. in Million)

<b>I. Foreign Exchange Outgo</b>	
a) Engineering Fees and Consultancy charges	62.03
b) Legal and Professional charges	4.62
c) Travelling	0.94
d) Financial charges	8.72
<b>Total</b>	<b>76.31</b>

#### II Foreign Exchange Earnings

As the Company is in business of power generation , there shall not be any export earnings.



## AUDITORS' REPORT

### The Members of AD Hydro Power Limited

1. We have audited the attached balance sheet of AD Hydro Power Limited as at March 31, 2007 and the cash flow statement for the year ended on that date annexed thereto. No profit and loss account has been prepared for the year ended on that date, as the Company has not commenced its commercial operations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
  - v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2007;
    - b) in the case of cash flow statement, of the cash flows for the year ended on that date.

**For S. R. Batliboi & Associates**

Chartered Accountants

**per Pankaj Chadha**

Partner

Membership No. : 91813

Place : Gurgaon

Date : June 06, 2007





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

**Re: AD Hydro Power Limited**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no substantial disposal 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.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and hence clause 4 (iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (e) As informed, 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 and hence clause 4 (iii) (e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (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 our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the 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) The Company is in the construction phase and accordingly, clause (viii) of paragraph 4 of the Order is not applicable to the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to the Company have generally been regularly deposited with the appropriate authorities.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed 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 information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, , customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year 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, bank or 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 not given any guarantee for loans taken by others from bank or financial institutions.
- (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 preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a 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 course of our audit.

**For S. R. Batliboi & Associates**  
Chartered Accountants

**per Pankaj Chadha**  
Partner  
Membership No. : 91813

Place : Gurgaon  
Date : June 06, 2007



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## BALANCE SHEET AS AT 31ST MARCH, 2007

(Rs. '000)

	SCHEDULE	As at 31.3.2007	As at 31.3.2006
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	2,120,844	1,910,500
Share application money (pending allotment)		140,000	9,784
		<b>2,260,844</b>	<b>1,920,284</b>
<b>Loan Funds</b>			
Secured loans	2	3,851,826	190,000
Deferred Payment Liabilities (Payable towards Loyalty Bonus Scheme) (Amount repayable within one year Rs. Nil)		5,455	-
		<b>3,857,281</b>	<b>190,000</b>
<b>TOTAL</b>		<b>6,118,125</b>	<b>2,110,284</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block	3	236,388	96,582
Less : Depreciation		46,470	8,802
Net Block		189,918	87,780
Capital work-in-progress including capital advances	4	4,032,307	1,432,647
Project and pre-operative expenses (pending allocation)	5	1,031,557	499,317
		<b>5,253,782</b>	<b>2,019,744</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	6	95,748	12,679
Cash and bank balances	7	1,046,612	149,147
Other current assets	8	6,011	2,991
Loans and advances	9	32,145	17,946
		<b>1,180,516</b>	<b>182,763</b>
<b>Less: Current Liabilities and Provisions</b>			
Liabilities	10	296,023	82,100
Provisions	11	20,179	10,152
		<b>316,202</b>	<b>92,252</b>
<b>Net Current Assets</b>		<b>864,314</b>	<b>90,511</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	12	29	29
<b>TOTAL</b>		<b>6,118,125</b>	<b>2,110,284</b>
<b>Notes to Accounts</b>	13		

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date  
**For S. R. Batliboi & Associates**  
Chartered Accountants

For and on behalf of the Board of Directors

**per Pankaj Chadha**  
Partner  
Membership No. : 91813  
Place : Gurgaon  
Date : June 06, 2007

**Ravi Jhunjunwala** Director  
**Øistein Andresen** Director  
**Ajay Hemrajani** Company Secretary



## SCHEDULES TO THE ACCOUNTS

### SCHEDULE 1 : SHARE CAPITAL

(Rs. '000)

	31.03.2007	31.03.2006
<b>AUTHORISED</b>		
314,000,000 (Previous year 200,000,000) equity shares of Rs. 10/- each	<b>3,140,000</b>	200,000
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
212,084,000 (Previous year 191,050,000) equity shares of Rs. 10/- each (191,050,000 (Previous year Nil) equity shares are held by Malana Power Company Limited, the Holding Company, along with its nominees)	<b>2,120,844</b>	1,910,500
	<b>2,120,844</b>	1,910,500

### SCHEDULE 2 : SECURED LOANS

(Rs. '000)

	31.03.2007	31.03.2006
Rupee term loans		
– From banks	<b>3,091,826</b>	190,000
– from institutions	<b>760,000</b>	–
	<b>3,851,826</b>	190,000

#### Note:

Term loans from banks and institutions are secured by way of a first mortgage/charge on all immovable properties wherever situated both present and future and hypothecation of all movable assets, rights, etc. present and future of the Company, on pari passu basis.

### SCHEDULE 3 : FIXED ASSETS

(Rs. '000)

Particulars	Gross Block				Depreciation				Net Block	
	Cost As At 01.04.2006	Additions	Deduction	Cost As At 31.03.2007	At 01.04.2006	For The Year	Deletion	At 31.03.2007	As At 31.03.2007	As At 31.03.2006
Building	26,690	23,583	–	<b>50,273</b>	315	1,158	–	<b>1,473</b>	<b>48,800</b>	26,375
Project equipment	43,617	78,416	–	<b>122,033</b>	3,394	28,389	–	<b>31,783</b>	<b>90,250</b>	40,223
Other equipment	2,135	2,195	–	<b>4,330</b>	397	466	–	<b>863</b>	<b>3,467</b>	1,738
Electrical installation	4,663	20,924	–	<b>25,587</b>	97	1,174	–	<b>1,271</b>	<b>24,316</b>	4,566
Furniture & fixtures	5,871	4,662	–	<b>10,533</b>	1,263	1,303	–	<b>2,566</b>	<b>7,967</b>	4,608
Computer	3,473	5,365	–	<b>8,838</b>	1,272	2,562	–	<b>3,834</b>	<b>5,004</b>	2,201
Office equipments	2,732	1,786	–	<b>4,518</b>	299	951	–	<b>1,250</b>	<b>3,268</b>	2,433
Vehicles	7,401	2,875	–	<b>10,276</b>	1,765	1,665	–	<b>3,430</b>	<b>6,846</b>	5,636
<b>Total</b>	<b>96,582</b>	<b>139,806</b>	<b>–</b>	<b>236,388</b>	<b>8,802</b>	<b>37,668</b>	<b>–</b>	<b>46,470</b>	<b>189,918</b>	<b>87,780</b>
Previous Year	6,665	89,938	21	96,582	1,260	7,547	5	8,802	87,780	



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## SCHEDULE 4 : CAPITAL WORK IN PROGRESS

(Rs. '000)

PARTICULARS	As At 01.04.2006	Additions	As At 31.03.2007
Government / private land	232,484	58,397	290,881
Road	249,520	647,822	897,342
Buildings	6,065	40,004	46,069
Head race tunnel	12,792	173,443	186,235
Pressure shaft	6,719	34,635	41,354
Surge shaft	6,682	–	6,682
Intermediate reservoir	1,016	110	1,126
Upstream	6,816	211,676	218,492
Power house	214,331	365,341	579,672
Engineering fees	174,202	99,286	273,488
Consultancy charges	40,463	35,529	75,992
Construction power	2,639	6,431	9,070
Bridge	3,029	–	3,029
Transmission line	1,842	109,144	110,986
- includes stocks lying with third parties Rs. 63,192 thousand (Previous year Rs. Nil)			
Turbine & Generators	–	114,534	114,534
Equipments Under Installation	–	26,871	26,871
Other capital expenditure	45,111	–	45,111
Capital stocks	53,126	318,348	371,474
- includes stocks lying with third parties Rs. 318,050 thousand (Previous year Rs. 26,145 thousand))			
Capital advances	375,810	358,089	733,899
<b>Total</b>	<b>1,432,647</b>	<b>2,599,660</b>	<b>4,032,307</b>

## SCHEDULE 5 : PROJECT AND PRE-OPERATIVE EXPENSES (Pending Allocation)

(Rs. '000)

	31.03.2006	Addition during the year up to 31.03.2007	31.03.2007
<b>Personnel Expenses</b>			
Salaries , wages and bonus	80,803	81,155	161,958
Contribution to provident and other funds	8,213	6,014	14,227
Workmen and staff welfare expenses	7,389	5,817	13,206
	96,405	92,986	189,391
<b>Administrative and other expenses</b>			
Rent	8,798	8,492	17,290
Rates & taxes	10,110	5,905	16,015
Insurance	16,114	22,294	38,408
Repairs and maintenance			
Plant and machinery	7,611	1,997	9,608
Civil works	–	141	141
Buildings	178	2,209	2,387
Others	1,582	501	2,083
Travelling expense	23,897	13,215	37,112
Conveyance	8,525	4,900	13,425
Vehicle running & hiring expenses	11,873	27,357	39,230
Communication expenses	4,398	3,171	7,569



## CONTD. SCHEDULE 5 : PROJECT AND PRE-OPERATIVE EXPENSES

(Pending Allocation)

(Rs. '000)

	31.03.2006	Addition during the year up to 31.03.2007	31.03.2007
Auditor's Remuneration :			
– Audit Fees	687	453	1,140
– Other Services	110	393	503
– Out of Pocket Expenses	28	84	112
Charity and donations (other than to political parties)	972	2,487	3,459
Director remuneration	376	1,650	2,026
Advertisement	6,960	3,392	10,352
Legal & professional charges	24,188	21,733	45,921
Expenditure on forest land	153,351	59,171	212,522
Fee & subscription	3,109	199	3,308
Stores consumption	22,786	40,036	62,822
Power and fuel	23,175	10,976	34,151
Installation charges	3,612	–	3,612
Security arrangement expense	3,475	6,902	10,377
Social welfare expenses	791	11,601	12,392
Miscellaneous expenses (net of recoveries Rs. 6,813 thousand (Previous year Rs. 24 thousand))	18,120	9,023	27,143
Fringe benefit tax (including Rs. 909 thousand in respect of earlier year)	1,508	4,409	5,917
Interest on Term Loan	2,401	146,862	149,263
Interest on Others	1,853	132	1,985
Financial / bank charges	55,424	11,946	67,370
Depreciation	8,808	37,668	46,476
	424,820	459,299	884,119
Less : Interest earned (Tax deducted at source Rs. 3481 thousand, Previous year Rs. 4192 thousand) (net of provision for income tax Rs. 5242 thousand (Previous year Rs. 7150 thousand))	(21,908)	(20,045)	(41,953)
	499,317	532,240	1,031,557

## SCHEDULE 6 : INVENTORIES

(Rs. '000)

	31.03.2007	31.03.2006
Stores and spares (including stocks lying with third parties Rs. 43,823 thousand (previous year Rs. 2,508 thousand))	95,748	12,679
	94,748	12,679

## SCHEDULE 7 : CASH AND BANK BALANCES

(Rs. '000)

	31.03.2007	31.03.2006
Cash on hand	1,714	558
Balances with scheduled banks:		
On current accounts	149,885	23,783
On deposit accounts	895,013	124,806
	1,046,612	149,147

Included in deposit accounts is :

Fixed deposit of Rs. 200 thousand pledged with the H. P. Government Sales Tax Department



## SCHEDULE 8 : OTHER CURRENT ASSETS

	(Rs. '000)	
	31.03.2007	31.03.2006
Interest accrued on deposits and others	6,011	2,991
	<b>6,011</b>	<b>2,991</b>

## SCHEDULE 9 : LOANS AND ADVANCES

(Unsecured, considered good)

	(Rs. '000)	
	31.03.2007	31.03.2006
Loans to employee	710	183
Advances recoverable in cash or in kind or for value to be received	11,285	9,386
Security deposit with govt. departments & others	3,253	783
Advance income tax / tax deducted at source	16,897	7,394
	<b>32,145</b>	<b>17,946</b>

## SCHEDULE 10 : LIABILITIES

	(Rs. '000)	
	31.03.2007	31.03.2006
Sundry creditors	224,605	51,770
Deposits from contractors and others	51,597	20,864
Interest accrued but not due on loans	2,332	-
Other liabilities	17,489	9,466
	<b>296,023</b>	<b>82,100</b>

## SCHEDULE 11 : PROVISIONS

	(Rs. '000)	
	31.03.2007	31.03.2006
Taxation	18,436	8,673
Leave encashment	1,743	1,479
	<b>20,179</b>	<b>10,152</b>

## SCHEDULE 12 : MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

	(Rs. '000)	
	31.03.2007	31.03.2006
Share issue expenses		
Balance as per last account	29	29
	<b>29</b>	<b>29</b>



## SCHEDULE 13 : NOTES TO ACCOUNTS

### 1. Nature of Operations

AD Hydro Power Limited (hereinafter referred to as 'the Company') is in the process of setting up of a 192 MW hydro electric power generation plant. The Company is still in the construction stage and has not yet commenced commercial power generation during the year ended March 31, 2007.

### 2. Statement of Significant Accounting Policies

#### (a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### (b) Fixed Assets

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

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

#### (c) Expenditure on new projects

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Income earned during construction period is deducted from the total of the indirect expenditure.

#### (d) Depreciation

- i. On the assets of generating unit, depreciation is provided as per straight-line method (pro-rata basis) at the rates prescribed by the Central Government vide Notification Number S.O. 266(E) dated 29th March 1994 issued under the Electricity (Supply) Act, 1948.
- ii. On Plant & Machinery other than those covered under (i) above, depreciation is provided on straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- iii. On fixed assets other than those covered under (i) and (ii) above, depreciation is provided on written down value method at the rates prescribed in Schedule - XIV to the Companies Act, 1956.
- iv. Depreciation on Project Equipments has been provided as per straight line method over the period upto the expected date of completion of the project i.e. 31st March, 2008.

#### (e) Inventories

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

#### (f) 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.

#### *Interest*

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





**(g) Miscellaneous Expenditure to the extent not written off or adjusted**

Preliminary Expenses will be amortized / adjusted in the manner to be decided by the Board of Directors starting from the year in which the Company commences its commercial operations.

**(h) Foreign currency translation**

*Foreign currency transactions*

**(i) 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.

**(ii) Conversion**

Foreign currency monetary items are reported using the closing rate. 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.

**(iii) Exchange Differences**

Exchange differences arising on the settlement of monetary items or on restatement of 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, except exchange differences on transactions relating to fixed assets acquired from a country outside India, which are adjusted to the carrying amount of fixed assets.

**(i) Retirement and other employee benefits**

(i) Retirement benefits in the form of Provident Fund and Superannuation Schemes are charged to the Project & Preoperative Expenses (pending allocation) in the year when the contributions to the respective funds are due.

(ii) The Company has taken an insurance policy under Group Gratuity Scheme to cover the gratuity liability of the employees and amount paid/ payable in respect of present value of liability for past services is charged to the Project & Preoperative Expenses (pending allocation) on the basis of actuarial valuation carried out at the end of the financial year.

(iii) Liability for leave encashment is provided for on actuarial valuation basis at the end of the financial year.

(iv) Liability under loyalty bonus scheme is provided for on actual basis in accordance with the period of service accrued during the year.

**(j) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event 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 best 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.

3. As the Company had not commenced commercial operations as of March 31, 2007, no Profit and Loss Account has been prepared, but in lieu thereof, a statement of Project and Pre-operative expenses (pending allocation) has been prepared as per Schedule 5 and expenses incurred during the year ended March 31, 2007 in relation to the construction of the project, have been included under the said Schedule, to be allocated appropriately at the time of commencement of commercial operations.
4. The Company has signed a Quadripartite Agreement on 5th November, 2005 with Rajasthan Spinning & Weaving Mills Ltd (RSWM) (the holder of Implementation rights /promoter), Malana Power Company Limited and Government of Himachal Pradesh for transfer of the project from RSWM to the Company to give effect to Implementation Agreement signed between RSWM and Government of Himachal Pradesh.
5. (a) Cost of Government land of Rs.5,687 thousand represents amount paid to Deputy Commissioner, Kullu towards transfer of government's agriculture land measuring 10.07 hectare for which the execution of lease deed is pending.



- (b) Cost of private land of Rs. 285,194 represents amount paid for execution of 12.61 hectares land, out of which mutation for 6.72 hectares in favour of the Company has been completed. For 0.54 hectares land in village Aleo, the award has been completed. The mutation of 2.20 hectares land in village Prini and .033 hectares land in village jagatsukh is in progress. Apart from notified land, 2.82 hectares land has been acquired directly from the villagers.
- (c) Rs. 212,522 paid to Divisional Forest Officer, Kullu on account of use of forest land measuring 37.69 hectares represents amount paid towards loss of environment value, compulsory afforestation, cost of tree felling and Catchment Area Treatment Plan.

## 6. Related Party Disclosure

### (a) Name of related party

Holding Company

**Malana Power Company Limited**

Key Management Personnel

Mr. R. P. Goel, Whole Time Director

### (b) Transaction with related parties

(Rs. '000)

Nature of Transaction	Holding Company		Key Management Personnel	
	2007	2006	2007	2006
<b>Transactions during the year</b>				
Share application money received from Malana Power Company Limited (net)	<b>130,216</b>	1,345,774		–
Purchase of Fixed Assets from Malana Power Company Limited	<b>16,089</b>	–		–
Director's Remuneration			<b>1,650</b>	376
<b>Balance outstanding as at the year end</b>				
Share Capital held by Malana Power Company Limited	<b>1,910,500</b>	1,910,500		
Loan & Advances :				
Malana Power Company Limited (Share application money)	<b>140,000</b>	9,784		

Note: Reimbursement of expenses to and from related parties on actual basis has not been considered above.



## 7. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 4,131,035 thousand (Previous Year Rs 3,110,354 thousand)

8. Amount payable to Small Scale undertakings as at 31st March 2007 is Rs. Nil (previous year Rs. Nil) to the extent such parties have been identified from available information.
9. Disclosure as per Section 22 of "The Micro, Small and Medium Enterprises Development Act, 2006"

S. No.	Particulars	(Rs. '000)
i)	The principal amount and the interest due thereon remaining unpaid to any supplier	
	– Principal amount	Nil
	– Interest thereon	Nil
ii)	the amount of interest paid by the buyer in terms of section 18, along with the amounts of the payment made to the supplier beyond the appointed day	Nil
iii)	the amount of interest due and payable for the year of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act	Nil
iv)	the amount of interest accrued and remaining unpaid	Nil
v)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues above are actually paid to the small investor	Nil

## 10. Derivative instruments and unhedged foreign currency exposure.

(a) **There are no forward contract outstanding as at Balance Sheet date.**

(b) **Particulars of Unhedged Foreign Currency Exposure as at the Balance Sheet date**

(Rs. '000)

Particulars	2006-07	2005-06
Creditors for expenses	25,814	–

## 11. Statutory Supplementary Information

(Rs. '000)

	2007	2006
<b>(a) Directors' Remuneration</b>		
Salaries	1,020	238
Allowances	630	138
	<b>1,650</b>	<b>376</b>
<b>(b) Expenditure in Foreign Currency (Cash basis)</b>		
Engineering Fees and Consultancy charges	62,034	89,019
Legal and Professional charges	4,618	4,623
Travelling	939	573
Financial charges	8,718	9,442
	<b>76,309</b>	<b>1,03,657</b>



(Rs. '000)

	2007	2006
<b>(c) Value of Imports calculated on CIF basis</b>		
Capital Goods	196,643	18,502
Project Equipment	29,950	17,117
	<b>226,593</b>	<b>35,619</b>

12. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

**a) Imported and indigenous stores and spare parts consumed:**

Stores & Spares	Percentage of total consumption		Value (Rs.'000)	
	2007	2006	2007	2006
Imported	27.80	–	11,129	–
Indigenously obtained	72.20	100.00	28,908	21,509
	<b>100.00</b>	<b>100.00</b>	<b>40,037</b>	<b>20,509</b>

13. Previous year's figures have been regrouped where necessary to confirm to this year's classification.

As per our report of even date

**For S. R. Batliboi & Associates**  
Chartered Accountants

**per Pankaj Chadha**  
Partner  
Membership No. : 91813

Place : Gurgaon  
Date : June 06, 2007

For and on behalf of the Board of Directors

**Ravi Jhunjunwala** Director  
**Øistein Andresen** Director  
**Ajay Hemrajani** Company Secretary



## CASH FLOW STATEMENT AS AT MARCH 31, 2007

PARTICULARS	(Rs. '000)	
	31.03.2007	31.03.2006
<b>A. Cash flows from investing activities</b>		
Acquisition of fixed assets	(2,980,413)	(1,406,860)
Proceeds from sale of fixed assets	-	16
Fixed deposit accounts	(770,207)	(104,606)
Interest received	22,354	24,735
<b>Net cash used in investing activities</b>	<b>(3,728,266)</b>	<b>(1,486,715)</b>
<b>B. Cash flows from financing activities</b>		
Proceeds from issuance of share capital	340,560	1,345,774
Repayment of share application money	-	-
Proceeds from long term borrowings	3,661,826	190,000
Repayment of long -term borrowings	-	(48,484)
Interest paid	(146,862)	(2,401)
<b>Net cash from financing activities</b>	<b>3,855,524</b>	<b>1,484,889</b>
<b>Net increase / (decrease) in cash and cash equivalents( A + B)</b>	<b>127,258</b>	<b>(1,826)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>24,341</b>	<b>26,167</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>151,599</b>	<b>24,341</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	1,714	558
With scheduled banks - on current accounts	149,885	23,783
	<b>151,599</b>	<b>24,341</b>

As per our report of even date

**For S. R. Batliboi & Associates**  
Chartered Accountants

**per Pankaj Chadha**  
Partner  
Membership No. : 91813

Place : Gurgaon  
Date : June 06, 2007

For and on behalf of the Board of Directors

**Ravi Jhunjhunwala** Director  
**Øistein Andresen** Director  
**Ajay Hemrajani** Company Secretary



# LNJ BHILWARA GROUP

## A NATIONWIDE PRESENCE

### A. TEXTILES

#### ◆ RSWM Limited

1. Kharigram Synthetic, Regenerated Cellulosic Blended Grey, Dyed Yarn
2. Mayur Nagar, Banswara Synthetic, Regenerated Cellulosic & Cotton-blended Grey Yarn
3. Mandpam Cotton Melange Yarn, Cotton-blended Melange & Dyed Yarn
4. Rishabhdev Synthetic, Blended & Grey Yarn
5. Ringas Synthetic & Blended Dyed Yarn
6. Bangalore Apparel
7. LNJ Nagar, Mordi Fabric
8. LNJ Nagar, Mordi Denim
9. LNJ Nagar, Mordi Captive Thermal Power
10. Bagalur Cotton Yarn

#### ◆ Maral Overseas Ltd.

11. Maral Sarovar (100% EOU) Cotton Yarn, Cotton-Knitted Fabric & Cotton Knitweaves
12. Maral Sarovar Captive Thermal Power
13. Noida Knitweaves
14. Noida Knitweaves

#### ◆ BSL Ltd.

15. Bhilwara Yarn, Worsted, Synthetic & Silk Fabric, Garments & Accessories
16. Jaisalmer Captive Wind Power Generation

#### ◆ Bhilwara Spinners Ltd.

17. Bhilwara Synthetic, Blended Grey & Dyed Yarn

#### ◆ BMD Pvt. Ltd.

18. LNJ Nagar, Mordi Specialised Automotive Fabric & Furnishing Fabric

#### ◆ Bhilwara Processors Ltd.

19. Bhilwara Processing of Synthetic & Worsted Fabric, Tops Fibre Dyeing

### B. GRAPHITE

#### ● HEG Ltd.

20. Mandideep Graphite Electrodes
21. Mandideep Captive Thermal Power
22. Durg Steel Billets
23. Durg Captive Waste Heat Recovery Power
24. Tawa Captive Hydro Electric Power

### C. POWER

#### ◆ Bhilwara Energy Ltd.

25. Pathankot UBDC Stage III Hydro Electric Power Generation
26. Tawang Nyamjung Chhu Hydro Electric Power Generation

#### ◆ Malana Power Company Ltd.

27. Malana (Kullu) Hydro Electric Power Generation

#### ◆ AD Hydro Power Ltd.

28. Allain-Duhangan (Manali) Hydro Electric Power Generation

#### ◆ Indo Canadian Consultancy Services Ltd.

29. Noida Power Engineering Services

### D. INFORMATION TECHNOLOGY

#### ◆ Bhilwara Scribe Pvt. Ltd.

30. Bhopal Medical Transcription Services

#### ◆ Bhilwara Infotech Ltd.

31. Bangalore IT Services

### E. OFFICES

#### ◆ Corporate Office

32. Noida (NCR - Delhi)

#### ◆ Regional / Marketing

- |              |              |               |               |
|--------------|--------------|---------------|---------------|
| 33. Mumbai   | 34. Kolkata  | 35. Bangalore | 36. New Delhi |
| 37. Ludhiana | 38. Amritsar | 39. Bhilwara  |               |








PROUD TO BE INDIAN  
PRIVILEGED TO BE GLOBAL

## the Group Companies

	Textiles
	Graphite Electrode
	Knitted Garments
	Power Generation
	Power Generation
	Power Generation
	Power Engineering Consultancy
	Suitings
	Automotive Fabric
	Yarn
	Information Technology
	Medical Transcription Services

## the Group Brands

	Suitings
	Suitings
	Yarn
	Garments
	Fabric

## the Group Partnerships

Company	Partner with	Activity
Statkraft Norfund Power Invest A.S., Norway	Malana Power Co. Ltd.	192 MW Hydro-electric Power Project
RSW International, Canada	ICCS Ltd.	Power Consultancy Services
International Finance Corporation, Washington	AD Hydro Power Ltd.	Equity holders in AD Hydro Power Project
Tencel, UK (now Lenzing, Austria)	RSWM Ltd.	Tencel Yarn Spinning
Trevira GmbH, Germany	RSWM Ltd.	Flame Retardant Yarn & Fabric
eScribe Inc., USA	Bhilwara Scribe Pvt. Ltd.	IT Enabled Services
Enercon (India), a subsidiary of Enercon (Germany)	BSL Ltd.	Wind Energy Project
SISA S.A., Spain	RSWM Ltd.	Yarn Marketing



### Corporate Office :

Bhilwara Towers, A-12, Sector I, Noida - 201301 (NCR - Delhi), India  
Website : [www.malanapower.com](http://www.malanapower.com) / [www.lnjbhilwara.com](http://www.lnjbhilwara.com)