



PROUD TO BE INDIAN
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The Great Leap Forward



MALANA POWER COMPANY LIMITED

Annual Report 2005-2006



MALANA POWER COMPANY LIMITED



L. N. Jhunjhunwala
Chairman - Emeritus

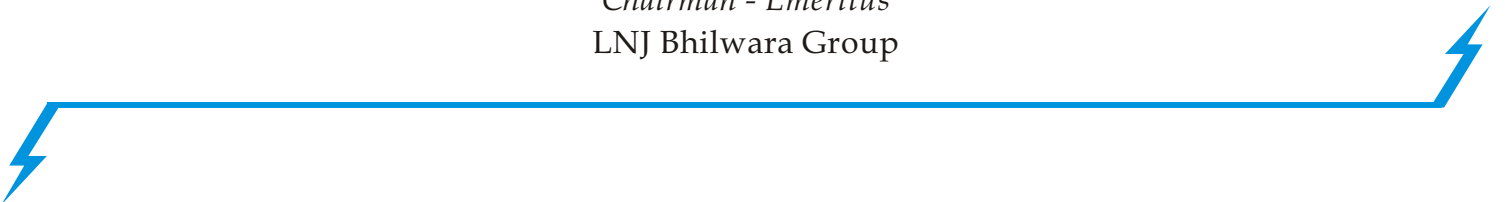
Innovating to forge ahead

The LNJ Bhilwara Group has always endeavoured to be at the forefront of all things new and dynamic, much like the first man who stepped on the moon. The many forays and ventures into diverse businesses, have been undertaken with enthusiasm, and driven by a passion to achieve excellence in every step. In this view, all the Group's companies have realised the importance in creating benchmarks, leading from the front with a responsibility to serve society at large.

And now it is breaking the shackles, empowering its highly-skilled workforce, and literally unleashing their latent powers... enabling the people that make up the companies of the Group, to raise the bar and look beyond boundaries, and to challenge limits at every step, in every situation.

L. N. Jhunjhunwala

Chairman - Emeritus
LNJ Bhilwara Group





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Contents

LNJ Bhilwara Group Milestones	2
From the Chairman's Desk	3
Message from the CEO	4
Directors' Report	5
Annexure to Director Report	15
Auditors' Report	19
Balance Sheet	22
Profit & Loss Account	23
Schedules	24
Cash Flow Statement	42
Balance Sheet Abstract	44
Report of the Subsidiary (AD Hydro Power Ltd.)	45



LNJ Bhilwara Group Milestones

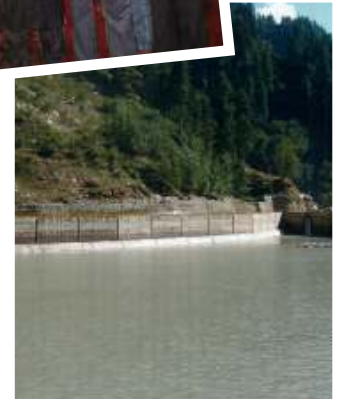
Power Generation : Malana Power Company Ltd. / AD Hydro Power Ltd.

- Malana Hydro Electric project commissioned in record construction time of 30 months.
- Work of 200 MW Allain-Duhangan Hydro Electric Project picked up momentum in Manali, H.P.; to be commissioned by second quarter of 2008.
- Bagged 75 MW prestigious hydro project in Punjab, through competitive bidding.
- Microsoft Dynamics Navision business suite ERP solution implemented for power companies connecting HO (Noida) with sites in Malana & AD Hydro on single platform.
- Design partner RSW, Canada, and equity partner SN Power, Norway, also connected on the same platform.

Power Consultancy : Indo Canadian Consultancy Services Ltd.

- Offers Engineering Consultancy Services to several prestigious Hydro & Thermal Power projects across India, besides handling ongoing Group projects.

GROUP FINANCIAL HIGHLIGHTS			
(Rs. in Crores)			
PARTICULARS	2003-04	2004-05	2005-06
Turnover	1815	2049	2387
Export Sales	792	893	1016
PBIDT	259	274	374
PBDT	201	208	286
PBT	81	96	156
PAT	72	79	115
Gross Fixed Assets	1953	2494	2922
Net Worth	768	969	1382



Graphite / Steel / Power : HEG Limited

- Has the largest single site Graphite Electrodes manufacturing plant in South & South-East Asia and the Middle East; is the world's second-largest single site plant.
- Internationally recognised Bureau Vertitas (BUQI) ISO140001-1996.
- Quality leadership enables exports to top 50 steel producers of the world.
- Production capacity in Mandideep scaled up to 52,000 MT p.a. from 30,000 MT last year.
- State-of-the-art R&D centre set up in Mandideep.
- New 25 MW Captive Power Plant commissioned in Mandideep.
- Set up a 1,00,000 MT production capacity Steel Billets project in Durg, M.P.

Knitted Garments : Maral Overseas Ltd.

- Recently, installed a 1000 MT p.a. Yarn Dyeing facility to facilitate expansion of spinning, knitting and processing capacity.
- A 10 MW Captive Thermal Power Plant to be completed by end of FY 2007.

Textiles : RSWM Limited

- One of the largest producers and exporters of Polyester / Viscose Blended Yarn in India.
- Acquired Jaipur Polyspin Ltd., to manufacture Synthetic dyed Blended Yarn.
- Acquired an open-end plant with 1680 rotors from Phillipines.
- Introduced ready-to-wear Apparels, manufactured at a newly set up unit in Bangalore.
- Setting up a 46 MW Captive Thermal Power Plant in Mordi.
- Setting up a Rs. 190 crore Denim manufacturing facility in Mordi.
- Announced plans to increase spindle capacity by 15%.

Suitings : BSL Limited

- Setting up a 6 MW Captive Thermal Power Plant; expanding spinning facility by 16,000 spindles.



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Annual Report 2005-2006

Corporate Information

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

Ravi Jhunjunwala

DIRECTORS

L. N. Jhunjunwala

Einar Stenstadvold

Kamal Gupta

Øistein Andresen

R. P. Goel

Leiv Pederson

KEY EXECUTIVES

B. C. P. Singh, *Chief Executive Officer*

O. P. Ajmera, *Chief Finance Officer*

V. D. Bhatia, *General Manager (Operation)*

COMPANY SECRETARY

Varun Gupta

STATUTORY AUDITORS

S. R. Batliboi & Company, New Delhi

INTERNAL AUDITORS

Ashim & Associates, New Delhi

TECHNICAL CONSULTANTS

RSW International Inc., Canada

Indo-Canadian Consultancy Services Limited

BANKERS & FINANCIAL INSTITUTIONS

IDFC Limited

Centurion Bank of Punjab Limited

UTI Bank Limited

State Bank of India

Punjab National Bank

Punjab & Sind Bank

State Bank of Patiala

State Bank of Travancore

The Jammu & Kashmir Bank Limited

ICICI Bank Ltd.

Yes Bank Ltd.

CORPORATE OFFICE

Bhilwara Towers

A-12, Sector - 1

Noida - 201 301 (NCR-Delhi)

Phone : 0120-2541810

Fax : 0120-2531648, 745

Website : www.malanamodelhep.com

REGISTERED & WORKS OFFICE

Village Chowki, P.O. Jari

Distt. Kullu (H.P.)

Phone : 01902-276074 to 78

Fax : 01902 - 276078

E-mail : mpcljari@sancharnet.in

LIAISON OFFICE

Bhilwara Bhawan

40-41, Community Centre

New Friends Colony

New Delhi - 110 065

Phone : 011-26822997



MALANA POWER COMPANY LIMITED

From the Chairman's Desk

Dear Shareholders,

The Indian economy continued to chart its impressive growth trajectory during FY 2006, with GDP expected to register an over 8% growth. Given the trends over the past three years, when the economy actually outpaced growth estimates, we should expect the FY2006 estimate also to be revised upwards to around 8.3 – 8.4% by the time the final numbers are published.

On the back of three consecutive years of consistently good economic performances, India's real GDP growth between FY 2004 and FY 2006 has averaged over 8%, which should be a matter of pride for all of us. If we, as a nation, can focus on improving our infrastructure, as signs suggest we are beginning to, then I see no reason why we cannot increase the average decadal growth rate to over 8.5% between FY 2004 and FY 2013. When that occurs, India will have truly come of age. Apart from being one of the World's fastest growing economies, India is also getting integrated with the global economy.

Power is a critical infrastructure for economic development and for improving the quality of life. The achievement of increase in the installed power generation capacity from 1362 MW to over 100,000 MW since independence and electrification of more than 500,000 villages is impressive in absolute terms. However, India still is a power deficit country with an energy deficit of about 8.3% and peak deficit of 12.5% in 2005-06. To overcome this shortage, government has charted out a plan "Power for All" by 2012. The capacity addition target by the end of 11th plan has been set at 100,000 MW.

To promote accelerated development of power generation from non-conventional sources, Indian Government has recognised that hydro power projects can play a critical role in improving the over all energy scenario of the



Ravi Jhunjunwala
Chairman & Managing Director

country. With the growing mismatch between hydro power and thermal power, the GOI is emphasising on development of hydro power generation and has estimated the hydro power potential in the country at 1,50,000 MW, out of which only 27,010 MW (amounting to 18% of the total potential) has been harnessed.

Your Company realises the potential in the hydro power sector and is optimistic about meeting long-term opportunities and short-term challenges at the same time. Your Company is closely monitoring the market situation, and believes that its unique business model and prudent risk management practices, give it a sustainable long-term platform. Your Company will aggressively pursue new opportunities and will ensure adequate internal preparedness to take maximum advantage of such opportunities going forward.

On behalf of the Board of Directors, I would like to thank all the stakeholders of the Company for their valued contribution and their dedication to their vital role in the Company.

Ravi Jhunjunwala
Chairman & Managing Director



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PRIVILEGED TO BE GLOBAL

Annual Report 2005-2006

Message from the CEO

Dear Shareholders,

Your Company, Malana Power Company Limited (MPCL), the country's first Merchant Hydro Plant of 86MW in Himachal Pradesh, has achieved yet another milestone by completing its fifth year of successful operation.

The plant has generated to its full capacity all these years and fulfilled all its commitments not only to the Himachal Pradesh Government, but also to the upliftment of the local population's lifestyle, by undertaking and completing several social development schemes in local villages.

With the association of our Norwegian partners, we have undertaken several measures to improve plant efficiency and maximise output. Adoption of globally comparable O&M practices has helped in attaining many milestones. Several notable highlights were a feature of the last quarter at the Malana Power Plant. Despite the extensive repairs that needed to be undertaken, the unit established impressive benchmarks, including a record generation in August 2006, and high plant availability of 100% in July 2006 and 99.60 % in August 2006. Further, after the repairs undertaken in tunnel (HRT) and Surge shaft, the leakage of water has reduced by 220 lps, translating into a generation of an additional 5.69 million power units annually.

The management has also committed to establish best residential and office complexes for the welfare of its operating people, which will improve their lifestyle and motivate them to excel for heightened efficiency in operations. Work on a 32 unit township with an office complex has been initiated at the Malana site at a cost of Rs. 7 Crore, and is likely to be completed by June 2007.

For us at LNJ Bhilwara Group, Corporate Social



B. C. P. Singh
Chief Executive Officer

Responsibility and environmental responsibility means more than mere lip service to the cause. Several initiatives were undertaken through the year, for the overall development of the area and its population. Besides creating better connectivity with all-weather roads and improving local infrastructure like toilets, street lighting, footpaths, etc., the plant recently bolstered education by setting up a primary school. Healthcare efforts too, have been supported by the construction of an X-Ray department in the Government Health Care Centre and by maintaining an acupuncture clinic. In addition, the plant takes care of medical supplies every month.

On the environment front, MPCL undertook a drive to plant 10,000 tree saplings and 75,000 medicinal plants in the catchments area of the plant. Further, 1,000 fruit plants were also planted in the MPCL campus.

You have been supportive of all our efforts, and I am sure with your best wishes, we will continue to deliver better results in future. We are working towards further enhancement of the output and efficiency in the coming monsoon season, by undertaking modifications in controls and governing systems. I sincerely thank you for the trust you continue to repose on us and assure you that all of us in MPCL will deliver to your expectations.

B. C. P. Singh
Chief Executive Officer



A bird's eye view of the Malana Hydro Power Project, Kullu, HP

Directors' Report

To The Members

On behalf of the Board of Directors, I have pleasure in presenting the Ninth Annual Report of the Company on the business and operations of the Company and audited statement of accounts for the year ended 31st March, 2006, together with the Auditors' Report.

Financial Performance

Particulars	For the Year ended 31.03.2006 (Rs. in Million)	For the Year ended 31.03.2005 (Rs. in Million)
Total Turnover	723.361	541.431
Profit before Interest, Depreciation and Tax	525.896	389.439
Interest	154.681	188.516
Profit Before Depreciation and Tax	371.215	200.923
Depreciation	105.202	102.658
Profit Before Tax	266.013	98.265
Provision for Tax		
- Current Tax	22.385	7.705
- Deferred Tax	86.346	(66.213)
- FBT/WT Tax	0.890	-
Net Profit after Depreciation, Interest and Tax (PADIT)	156.392	156.773
Balance brought forward from previous year	397.253	243.109
Transfer from Debenture Redemption Reserve	6.950	6.950
Amount Available for Appropriation	560.595	406.832
APPROPRIATION -		
Transfer to Debenture Redemption Reserve	58.405	9.579
Balance carried forward	502.190	397.253
Basic and diluted Earning Per Share (EPS), (in Rs.)	1.37 / 1.35	2.25 / 2.16



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Annual Report 2005-2006



Financial Review

During the year under review, the turnover of the Company increased to Rs. 722.745 Million, from Rs. 524.629 Million. The cash profits from the business also increased to Rs. 359.20 Million, from Rs. 206.22 Million. The fall in the Basic Earning per Share on Profit after Tax to Rs. 1.37 per equity share, from Rs. 2.25 per equity share, was due to an increase in the number of equity shares, on account of investment made by M/s. S. N. Power Holding Singapore Pte Ltd in the Company.

Dividend

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

Operational Performance

Plant Availability

During the period under report, the availability of the plant for power generation stood at 99.80%. However, the annual availability of the plant was 80.40%, due to the shutdown of the plant for the period of 71 days, during the last quarter of the financial year 2005-06.

Energy generation and sales

Energy generated and sold in the last three years is as follows:-

(In Million Units)

S. No.	Particulars	2003-04	2004-05	2005-06
1.	Total Generation	346.250	275.379	340.221
2.	Less: Auxiliary/ Transmission Loss	3.660	2.843	3.915
3.	Less: Royalty/ Wheeling to Govt. HPSEB	63.036	50.146	61.880
4.	Total Unit sold	279.554	223.246	274.400

During the period under report, the plant was taken under shutdown on 20th January, 2006, to carry out repair activities in the Tunnel and Surge Shaft. An expenditure of Rs. 38.8 Million was incurred on repairs, during the period of shutdown. The shutdown continued till 14th April, 2006. This has resulted in loss of generation of 19.2 Million units (equivalent to loss of revenue of Rs. 42.59 Million) during the period under review, and 6.3 Million units (equivalent to loss of revenue of Rs. 13.97 Million) subsequently in the month of April.

The repair work inside the Tunnel and Surge Shaft is expected to increase the generation by approximately 6-7 Million units every year, which is expected to pay back entire cost in the next 6 years.

Tariff

During the period under review the average tariff for sale of power works out to Rs. 2.63 per unit. The earlier arrangement for sale of power with PTC was at Rs. 2.35 per kWh, which ended on 30th June, 2005. The new arrangement



MALANA POWER COMPANY LIMITED



wef 1st July, 2005, was made with PTC for two years, i.e. at Rs. 2.76 per unit from 1st July, 2005, to 30th June, 2006, and at Rs. 2.835 per unit from 1st July, 2006, to 30th June, 2007, respectively.

Innovative Improvements

During the year, the Company commissioned a dredging system, an innovative Norwegian sediment removal technology, for removal of silt from the reservoir. This system works on siphon suction principle and requires no external power, and is run during wet season.

Though the plant is equipped with specially designed desilting chambers which are working quite satisfactorily, yet fine sediment of less than 0.2 mm was entering into the reservoir and settling there. This was causing a reduction in the storage volume of the reservoir and removal of this silt from time to time, from the dewatered reservoir using tippers and loaders, was quite time consuming and expensive too.

With the help of this new dredging system, the silt from the reservoir will be removed continuously in wet season, without dewatering the reservoir, which will not only help in improving the capacity of the reservoir, but also reduce erosion of runner buckets, nozzle tips and tip liners.

This system was made operational in May 2005, and since then it has been operated by local staff. During the rainy season in two months approximately 36000m³ of sediment, equivalent to about 10,000 truck loads, had been removed by this system.

Share Capital

During the year, S. N. Power increased its equity stake in the

Company from 19% to 49%. The equity brought in by S. N. Power was invested entirely into AD Hydro Power Limited (ADHPL) for the implementation of the 192 MW Allain Duhangan Hydro Electric Power Project in Manali, Himachal Pradesh. During the year, ADHPL became a wholly-owned subsidiary of the Company.

Signing of Quadripartite Agreement

The Company signed a quadripartite agreement on 5th November, 2005, with RSWM Ltd., AD Hydro Power Limited and the Government of Himachal Pradesh, for the transfer of the project from RSWM to AD Hydro Power Limited, to give effect to the implementation of the agreement signed between RSWM Limited and the Government of Himachal Pradesh. The agreement paved the way for execution of the 192 MW Allain Duhangan Hydro Electric Project, by investment through the Company.

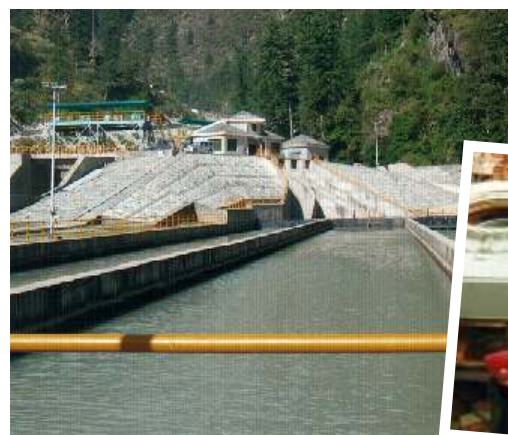
LNJ Bhilwara Group – S. N. Power Collaboration

The LNJ Bhilwara Group and S. N. Power collaboration strengthened further during the year. Both the joint venture partners worked in close cooperation and exchanged technical and financial expertise to benefit the Company. The staff of the two partners interacted closely to make improvements in the operations and efficiency of the plant. As a result of the joint efforts, the Company introduced improved maintenance systems. The association led to introduction of the innovative Norwegian-sediment-removal technology at Malana. Introduction of the state-of-the-art turbine runner coatings, significantly reduced erosion damage to the turbines. The joint venture fittingly integrated



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Annual Report 2005-2006



the domestic operating status and knowledge of the LNJ Bhilwara Group and technical expertise and international experience of S. N. Power.

Human Resource Development

The Company's Human Resource Development strategy focuses on building competence, commitment and motivation of employees. Focus of recruitment is to recruit people with a combination of knowledge, skill, experience and attitude in line with the organisational requirements through appropriate manpower plan. The Company recognises human resources as a key component for facilitating organisational growth, and regularly invests in augmenting its human resources with the latest tools, equipment and techniques, through focused and structured training programmes. The 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, across all its units. The Company aims to be recognised as an industry leader in the development and implementation of a safe workplace. The Company has been focusing hard on creating and maintaining an injury-free work place, with a concentrated goal on prevention of serious injury.

Risk Management, Internal Control Systems and their Adequacy

Risk Management

The Company's risk management system aims at balancing

business risks and returns. The approach enables regulatory, strategic, operational and financial risks to be managed and aligned with Company's strategic business objectives. The Audit Committee of our Board of Directors annually reviews our Company's risk profile and the status of our internal control framework. Our internal audit staff is responsible for performing independent reviews of the effectiveness of risk management policies, processes and systems. The management team prioritises the risks, frames the necessary action plan, and then presents it to the Board of Directors and Audit Committee of the Board on an ongoing basis. In addition to that, the Company also maintains adequate property and casualty insurance cover at its manufacturing plant, as per the best industry practices.

Internal Control Systems

The Company has in place adequate systems of internal control and documented procedures covering all financial and operating functions. These have been designed to provide reasonable assurance that assets are safeguarded, and protected against loss from illicit use or disposition, transactions are executed in accordance with the management's authorisation and properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. The Audit Committee of the Board of Directors periodically reviews the internal control systems for its adequacy and effectiveness. All organisational activities are subjected to internal controls.

Internal Audit

Internal Audit at MPCL is an independent, objective and assurance function, responsible for evaluating and improving the effectiveness of risk management, control and



MALANA POWER COMPANY LIMITED



governance processes. The function prepares annual audit plans based on risk assessment, and conducts extensive reviews covering financial, operational and compliance controls, and risk mitigation. Areas requiring specialised knowledge are reviewed in partnership with external experts. Improvement opportunities identified during reviews are communicated to the management on an ongoing basis. The Audit Committee monitors performance of Internal Audit on a periodic basis, through review of the audit plans, audit findings and promptness of issue resolution through follow ups.

Future Outlook

The Company is likely to improve its financial performance in the financial year 2006-07, due to repairs and maintenance carried out during the year, as well as due to higher prices at which new selling arrangements have been concluded. The Company has also bid for various hydro electric projects aggregating to over 2200 MW, ranging between 100 MW to 500 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. The Government has set an ambitious target of providing 'Power for All' during the Tenth and Eleventh Plans. Based on the 16th Electricity Power Survey prepared by the CEA, India would require an additional capacity creation of nearly 100,000 MW by 2012, to achieve this goal. However, due to shortage of coal and gas in the country, the only answer to the power crisis in the country, lies in hydro power generation. 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's efforts in its endeavours to provide 'Power for All by 2012.'

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

Environment

The Company is committed to meet its obligation and responsibilities to protect the environment. The Company has also taken steps to ensure the development of its Environment, Health and Safety Management System.

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.

Particulars of Employees

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

Directors' Responsibility Statement

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



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Annual Report 2005-2006



- 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 2005-2006;
- 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 a going concern basis.

Directors

Mr. R. P. Goel was appointed as an Additional Director of the Company with effect from 29th November, 2005, until the conclusion of the next Annual General Meeting. The Board recommends the appointment of Mr. R. P. Goel on the Board of the Company. Mr. Leiv Pedersen was also appointed as an Additional Director of the Company; the Board recommends the appointment of Mr. Leiv Pedersen on the Board of the Company.

Dr. Kamal Gupta and Mr. Einar Stenstadvold retire by rotation, and being eligible, offer themselves for reappointment.

Audit Committee

During the year, the Company met thrice to review Company's financial reporting system, internal control procedures, risk management policies and internal audit reports. The Audit Committee of the Company comprises Mr. Ravi Jhunjhunwala, Dr. Kamal Gupta and Mr. Einar Stenstadvold. 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.

Audit Review

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

Redemption of Debentures

During the financial year 2005-2006, amounting to Rs. 27.77 Million, have been redeemed.

Foreign Exchange Earnings and Outgo

During the year under review, the inflow of foreign exchange was NIL and outflow of foreign exchange was Rs. 28.75 Million.

Public Deposits

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

Corporate Governance

The Company's doctrine on Corporate Governance envisages



MALANA POWER COMPANY LIMITED



adherence to the highest levels of transparency, accountability and equity, in all areas of its operations and in all interactions with its stakeholders, including shareholders, employees, government and other agencies. The Company is committed to achieving the highest standards of Corporate Governance. The Company is committed to setting up exemplary standards of ethical behaviour, both internally within the organisation, as well as in their external relationships. The majority of the Board comprises 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. Corporate Governance, as practiced by the Company, aims at fulfilling its duties to the entire spectrum of stakeholders, and most importantly, making integrity an article of faith across all its operations.

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, offer themselves for reappointment.

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.

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 invaluable assistance and continued support provided by the Ministry of Power, 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 gratified for the generous support provided by the debenture-holders of the Company.

Your Directors are obliged to place on record the appreciation for the highly dedicated employees of the Company, who are working keenly for the achievement 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 pinnacles.

For and on behalf of the Board of Director

RAVI JHUNJHUNWALA

**Chairman and
Managing Director**

Place : Manali

Date : September 06, 2006



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

Electricity consumption in Power House auxiliaries is mainly for running governor oil and cooling water pumps and for ventilation, air conditioning and lighting purposes. Effective Energy conservation measures have been taken during the year and electricity consumption in these auxiliaries is reduced by approx. 0.4%.

Information in Form A as prescribed for certain industries is not applicable to the Company.

2. TECHNOLOGY ABSORPTION

a) During the Year the company commissioned a new dredging system, an innovative Norwegian sediment removal technology, for removal of silt from the reservoir which removes silt of even fine sediments of less than .2 mm which were entering into the reservoir and settling there. Silt was being removed continuously in wet season and it has helped in improving capacity of reservoir with reduced erosion of runner buckets, nozzle tips and tip liners. With the introduction of new technology for removing silt from reservoir, approximately 36000m³ of sediment had been removed by this system during rainy season thereby improving reservoir capacity.

b) During the year, company has procured three coated runners having tungsten carbide coating from M/s VA-tech Switzerland. These runners have performed well during the monsoon season when the silt content was very high. This has reduced the erosion of runner buckets and increased the efficiency of runners

3. EXPORTS & FOREIGN EXCHANGE EARNING AND OUTGO

During the year 2005-2006, the foreign exchange out go on purchase of imported machinery, professional services and traveling expenses was Rs. 263.66, Rs. 22.77 and Rs. 1.07 million respectively with the total foreign exchange out go of Rs. 28.75 million. As the Company is into generation of electricity in India, it does not have any export earnings.

ANNEXURE - II TO DIRECTORS' REPORT

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 and forming part of the Directors Report for the year ended 31st March, 2006

a) Persons employed for full year:

Sl. No.	Name of Employee	Designation	Remuneration (Rs.lac)	Qualifications	Experience (Years)	Age (Years)	Date of Commencement and designation	Last Employment held, Organization
1	Ravi Jhunjhuwala	Chairman & Managing Director	102.52	B. Com (Hons) MBA	26	51	01.11.2001	

b) Persons employed for part of the year:

1	B. C. P. Singh	CEO	26.20	B.E & FIE	37	60	02.05.2005	BALCO President (Power)
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Annual Report 2005-2006

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, 2006 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, 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 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, 2006;
 - 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 Raj Agrawal
Partner
Membership No. : 82028

Place : New Delhi
Dated: September 07, 2006



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 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.
- (b) 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 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, 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-



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Annual Report 2005-2006

- 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 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, 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 or change in respect of the debentures issued 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 Raj Agrawal
Partner
Membership No. : 82028

Place : New Delhi
Dated: September 07, 2006

**BALANCE SHEET AS AT 31ST MARCH, 2006**

(Rs. '000)

	SCHEDULE	As at 31.3.2006	As at 31.3.2005
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	1,309,331	748,759
Share application money (pending allotment)		-	230,040
Reserves and surplus	2	1,762,875	575,030
		3,072,206	1,553,829
Loan Funds			
Secured loans	3	1,691,894	1,950,433
		1,691,894	1,950,433
Deferred Tax Liability (Net)	4	179,024	92,678
Total		4,943,124	3,596,940
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	5	3,290,391	3,280,903
Less: Depreciation		495,968	392,081
Net block		2,794,423	2,888,822
Capital work in progress (including capital advances)		4,167	-
		2,798,590	2,888,822
Investments	6	1,910,500	-
Current Assets, Loans & Advances			
Inventories	7	18,197	14,130
Sundry debtors	8	-	14,941
Cash and bank balances	9	172,273	34,972
Other current assets	10	1,229	736
Loans and advances	11	120,692	685,593
		312,391	750,372
Less: Current Liabilities and Provisions			
Liabilities	12	31,014	29,512
Provisions	13	50,997	27,653
		82,011	57,165
Net Current Assets		230,380	693,207
Miscellaneous Expenditure (To the extent not written off or adjusted)	14	3,654	14,911
Total		4,943,124	3,596,940
Notes to Accounts	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

per **Raj Agrawal**

Partner

Membership No. : 82028

Ravi Jhunjunwala Chairman & Managing Director

Øistein Andresen Director

Varun Gupta Company Secretary

Place : New Delhi

Dated: September 07, 2006



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Annual Report 2005-2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006 (Rs. in '000)

SCHEDULE	31.03.2006	31.03.2005
INCOME		
Turnover	722,745	524,629
Less : Discount on prompt payments	15,820	12,742
Turnover (net)	706,925	511,887
Other income	15	29,545
TOTAL	723,361	541,432
EXPENDITURE		
Wheeling cost	17,152	13,899
Personnel expenses	16	12,088
Operating and other expenses	17	126,006
Depreciation	105,202	102,658
Financial expenses	18	188,516
TOTAL	457,348	443,167
Profit before tax	266,013	98,265
Provision for tax	22,385	7,705
Deferred tax (credit) / charge	86,346	(66,213)
Fringe benefit tax	835	-
Wealth tax	55	-
Total tax expense	109,621	(58,508)
NET PROFIT	156,392	156,773
Balance brought forward from previous year	397,253	243,109
Transfer from debenture redemption reserve	6,950	6,950
Profit available for appropriation	560,595	406,832
APPROPRIATION		
Debenture redemption reserve	58,405	9,579
TOTAL	58,405	9,579
Surplus carried to balance sheet	502,190	397,253
Earnings per share (in rupees)		
- Basic (nominal value Rs. 10 per share)	19	2.25
- Diluted (nominal value Rs. 10 per share)		2.16
Notes to accounts	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 S. R. Batliboi & Associates
Chartered Accountants

per **Raj Agrawal**
Partner
Membership No. : 82028

Place : New Delhi
Dated: September 07, 2006

For and on behalf of the Board of Directors

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

**SCHEDULES TO THE ACCOUNTS****SCHEDULE 1 : SHARE CAPITAL**

		(Rs. '000)	
		31.3.2006	31.3.2005
AUTHORISED		1,350,000	1,350,000
135,000,000	(Previous year 135,000,000) equity shares of Rs. 10/- each		
ISSUED AND SUBSCRIBED			
130,933,140	(Previous year 82,975,900) equity shares of Rs. 10/- each	1,309,331	829,759
PAID -UP			
130,933,140	(Previous year 66,775,900) equity shares of Rs. 10/- each, fully paid up	1,309,331	667,759
Nil	(Previous year 16,200,000) equity shares of Rs. 10/- each, Rs. 5/- paid up	-	81,000
		1,309,331	748,759
		1,309,331	748,759

SCHEDULE 2 : RESERVES AND SURPLUS

		(Rs. '000)	
		31.3.2006	31.3.2005
SECURITIES PREMIUM ACCOUNT			
	Balance as per last account	149,040	-
	Add: Received during the year	1,031,453	149,040
DEBENTURE REDEMPTION RESERVE			
	Balance as per last account	28,737	26,108
	Add: Transferred from profit and loss account	58,405	9,579
	Less: Transferred to profit and loss account on redemption of debentures	6,950	6,950
		80,192	28,737
Profit and Loss Account		502,190	397,253
		1,762,875	575,030

**SCHEDULE 3 : SECURED LOANS**

	31.3.2006		31.3.2005	
DEBENTURES				
Redeemable non-convertible debentures of Rs. 1,000 thousand each	250,000		250,000	
Less : Redemption till date of Rs. 278 thousand (previous year Rs. 167 thousand) on each debenture	69,444	180,556	41,667	208,333
Redeemable non-convertible debentures of Rs. 10,000 thousand each		540,000		-
LOANS AND ADVANCES FROM BANKS				
Term Loans				
- Rupee loans	871,395		756,200	
- Foreign currency loans	99,943		365,776	
- Interest accrued and due		971,338	124	1,122,100
Other Loans and Advances				
- Rupee term loan		-		620,000
	1,691,894		1,950,433	

Notes :

- Redeemable Non-Convertible Debentures (NCD) are secured by way of first mortgage and charge on land situated at village Budasan (Gujarat) together with all estate rights etc. present & future of the Company and further secured by irrevocable and unconditional guarantee extended by Infrastructure Leasing & Financial Services Ltd. (IL&FS). The aforesaid guarantee of IL&FS is secured by way of first charge on all immovable and movable properties, present and future, of the Company on pari-passu basis.
 - 150, 7.75% debentures of 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.
 - 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.
- 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 parri-passu basis.
 - 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.
- Foreign Currency Loans are on account of conversion of Rupee Term Loans availed earlier for a period of six months with an option to roll over for further period of six months.
- Debentures, loans and advances from banks and other loans and advances aggregating to Rs. 239,278 thousand (Previous year Rs. 274,091 thousand) are repayable within one year.

SCHEDULE 4 : DEFERRED TAX LIABILITY (NET)

(Rs. '000)

	31.3.2006	31.3.2005
Deferred Tax Liabilities		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	502,029	483,954
Gross Deferred Tax Liabilities	502,029	483,954
Deferred Tax Assets		
Brought forward unabsorbed depreciation	322,795	390,923
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	210	353
Gross Deferred Tax Assets	323,005	391,276
Net Deferred Tax Liability	179,024	92,678

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
Gross Block													
At 01.04.2005	21,517	223,196	1,843,317	199,473	966,831	4,432	5,474	10,047	3,274,287	6,616	6,616	3,280,903	3,312,399
Additions	-	-	1,698	195	2,316	205	1,429	5,031	10,874	218	218	11,092	9,178
Deductions/ Adjustments	-	-	-	-	-	50	24	1,530	1,604	-	-	1,604	40,674
At 31.03.2006	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
Depreciation													
At 01.04.2005	-	27,996	170,103	38,433	139,571	2,291	2,283	5,590	386,267	5,814	5,814	392,081	328,483
For the year	-	6,741	47,027	10,527	37,355	413	869	1,938	104,870	332	332	105,202	102,658
Deletions/ Adjustments	-	-	-	-	-	30	4	1,281	1,315	-	-	1,315	39,060
At 31.03.2006	-	34,737	217,130	48,960	176,926	2,674	3,148	6,247	489,822	6,146	6,146	495,968	392,081
Net Block 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	2,888,822
Capital Work in Progress													
Building under erection												872	-
Capital Advances												3,295	-
Sub Total												4,167	-
Total Fixed Assets	21,517	188,459	1,627,885	150,708	792,221	1,913	3,731	7,301	2,793,735	688	688	2,798,590	
Net Block 31.03.2005	21,517	195,200	1,673,214	161,040	827,260	2,141	3,191	4,457	2,888,020	802	802	2,888,822	

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.

**SCHEDULE 6 : INVESTMENTS**

	(Rs. '000)
	31.3.2006
	31.3.2005
LONG TERM INVESTMENTS (AT COST)	
IN SUBSIDIARY COMPANY	
UNQUOTED	
191,050,000(Previous year nil) equity shares of Rs. 10 each fully paid of AD Hydro Power Limited	1,910,500
	-
	1,910,500
	-

SCHEDULE 7 : INVENTORIES

	(Rs. '000)
	31.3.2006
	31.3.2005
Stores and spares	18,197
	14,130
	18,197
	14,130

SCHEDULE 8 : SUNDRY DEBTORS

(Unsecured, Considered good)

	(Rs. '000)
	31.3.2006
	31.3.2005
Outstanding for a period exceeding six months	-
Other debts	14,941
	-
	14,941

SCHEDULE 9 : CASH AND BANK BALANCES

	(Rs. '000)
	31.3.2006
	31.3.2005
Cash on hand	388
	5,164
Balances with scheduled banks:	
On current accounts	33,202
On deposit accounts	138,683
	20,429
	9,379
	172,273
	34,973
Included in cash on hand are :	
- Cheques on hand	-
	4,556
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)	
	31.3.2006	31.3.2005
Interest accrued on deposits and others	1,229	736
	1,229	736

SCHEDULE 11: LOANS AND ADVANCES

	(Rs. '000)	
	31.3.2006	31.3.2005
Unsecured, considered good		
Loans to employees	886	934
Share application money pending allotment in AD Hydro Power Limited	9,784	574,010
Advances recoverable in cash or in kind or for value to be received	35,734	64,567
Loan to a body corporate	6,244	5,818
Payment of income tax/ tax deducted at source	64,673	37,403
Deposits - others	3,371	2,861
	120,692	685,593
Included in Loans and Advances are :		
i. Dues from a company under the same management		
AD Hydro Power Limited	9,784	574,010
(Maximum amount outstanding during the year Rs. 1,915,589 thousand (Previous year Rs. 574,010 thousand)		
ii. Dues from a director of the company	Nil	4,664
(Maximum amount outstanding during the year Rs. 4,664 thousand (previous year Rs. 4,664)		

SCHEDULE 12: LIABILITIES

	(Rs. '000)	
	31.3.2006	31.3.2005
Sundry creditors	25,772	24,756
Deposits from contractors and others	1,532	1,538
Interest accrued but not due on loans	2,017	1,704
Other liabilities	1,693	1,514
	31,014	29,512

**SCHEDULE 13: PROVISIONS**

	31.3.2006	31.3.2005
Taxation	50,373	27,120
Leave encashment	624	533
	50,997	27,653

SCHEDULE 14: MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

	31.3.2006	31.3.2005
Deferred Revenue Expenditure		
Balance as per last account	14,911	26,168
Less : Written off	11,257	11,257
	3,654	14,911

SCHEDULE 15: OTHER INCOME

	31.3.2006	31.3.2005
Interest on bank deposits and others (gross, tax deducted at source Rs. 2,506 thousand, Previous year Rs. 2,438 thousand)	11,098	11,552
Insurance claim	4,050	12,299
Profit on redemption of short term investments		6
Unspent liabilities written back		183
Profit on sale/discard on fixed assets	19	-
Miscellaneous income	1,269	5,505
	16,436	29,545

SCHEDULE 16: PERSONNEL EXPENSES

	31.3.2006	31.3.2005
Salaries, wages and other expenses	14,466	8,425
Contribution to provident and other funds	1,509	1,767
Workmen and staff welfare expenses	2,979	1,896
	18,954	12,088

SCHEDULE 17: OPERATING AND OTHER EXPENSES

	(Rs. '000)	
	31.3.2006	31.3.2005
Repairs and Maintenance		
Plant and machinery	94,184	60,458
Civil works	1,842	2,555
Buildings	249	843
Others	621	447
Rent	611	2,788
Rates and taxes	24	1,469
Insurance	17,147	20,558
Director's remuneration	7,955	2,775
Commission to managing director	2,297	-
Auditor's Remuneration :		
- Audit fee	448	441
- Other services	331	-
- Out of pocket expenses	15	61
Loss on fixed assets sold / discarded (net)	-	22
Donations and contributions (other than to political parties)	16	45
Deferred revenue expenditure written off	11,257	12,999
Miscellaneous expenses	24,362	20,545
	161,359	126,006

SCHEDULE 18: FINANCIAL EXPENSES

	(Rs. in '000)	
	31.3.2006	31.3.2005
Interest		
- On debentures	17,449	17,597
- On fixed loans	114,708	136,965
- Others	-	214
- Foreign exchange fluctuation (net)	2,276	12,369
- Bank charges including guarantee commission	20,248	21,371
	154,681	188,516



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Annual Report 2005-2006

SCHEDULE 19: EARNINGS PER SHARE (EPS)

	31.3.2006	31.3.2005
Net profit as per profit and loss account	156,392	156,773
Equivalent number of equity shares of Rs. 10/- each at the beginning of the year	74,875,900	66,775,900
Equivalent equity shares allotted - Rs. 10/- paid up	56,057,240	8,100,000
Total number of equity shares of Rs. 10/- each at the end of the year	130,933,140	74,875,900
Equivalent weighted average number of equity shares of Rs. 10/- each at the end of the year for calculation of basic EPS	114,009,942	69,638,640
Equivalent number of equity shares in respect of share application money	-	16,200,000
Equivalent weighted average number of equity shares of Rs. 10/- each at the end of the year for calculation of dilutive EPS	115,745,075	72,634,530
Basic earnings per share (in rupees)	1.37	2.25
Diluted earnings per share (in rupees)	1.35	2.16



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 recognised 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 recognise a decline other than temporary in the value of such investments.



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Annual Report 2005-2006

(e) Inventories

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

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 recognised 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.



- (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.

(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 recognised 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 realised.

(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

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. However, based on its present profitability projections, it may decide to avail the deduction from the accounting year 2009-10 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.

In accordance with Accounting Standard Interpretation (ASI) 3 (Revised) on "Accounting for Taxes on Income in the situations of Tax Holiday under Sections 80-IA and 80-IB of the Income-tax Act, 1961", the Company had reversed in the previous year deferred tax liability on account of differences in depreciation on fixed assets as per tax books and financial books, which is expected to reverse during the tax holiday period.

4. 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.



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Annual Report 2005-2006

5. A sum of Rs. 291 thousand (Previous year Rs. 1,358 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.
6. 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.
7. 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.

8. Related Party Disclosure

(a) Name of related party

Subsidiary Company	AD Hydro Power Limited w.e.f 29 November, 2005
Key Management Personnel	Mr. Ravi Jhunjhunwala, Chairman & Managing Director
Relatives of key management personnel	Mr. Riju Jhunjhunwala (son of the Chairman & Managing Director) Mr. Rishabh Jhunjhunwala (son of the Chairman & Managing Director)
Enterprises owned or significantly influenced by key management personnel or their relatives	HEG Limited, RSWM Limited, 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	
	2006	2005	2006	2005	2006	2005	2006	2005
Transactions during the year								
Rent								
a) Mr. Rishabh Jhunjunwala					1,457	1,008		
b) Mr. Riju Jhunjunwala					1,457	1,008		
c) RSWM Limited							609	545
Consultancy service charges paid to Indo Canadian Consultancy Services Ltd.							306	1,047
Remuneration paid to Mr. Ravi Jhunjunwala, Chairman & Managing Director			7,955	2,775				
Commission paid to Mr. Ravi Jhunjunwala, Chairman & Managing Director			2,297	-				
Interest recovered from Indo Canadian Consultancy Services Ltd.							483	570
Other services charges paid to HEG Ltd.							923	697
Share application money given to AD Hydro Power Limited (net)	1,345,774	473,667						
Loans/Advance taken/received back (net) from Indo Canadian Consultancy Services Limited							426	2,373
Balance outstanding as at the year end								
Investment in AD Hydro Power Ltd.	1,910,500	-						
Loan & Advances :								
AD Hydro Power Limited (Share application money)	9,784	574,010						
Indo Canadian Consultancy Services Limited							6,244	5,818
Mr. Ravi Jhunjunwala			-	4,664				
Mr. Riju Jhunjunwala							153	-
Mr. Rishabh Jhunjunwala							153	-
Sundry Creditors - Mr. Ravi Jhunjunwala			399	-				
Guarantees given by the Company on behalf of AD Hydro Power Ltd.	450,000	-						

**9. Contingent Liabilities not provided for**

Claims made against the Company not acknowledged as debts - Rs. 3,564 thousand (Previous year - Rs. 3,564 thousand).

10. Supplementary Statutory Information

	(Rupees '000)	
	2006	2005*
(a) Managing Directors Remuneration		
Salaries	4,625	1,410
Commission	2,297	-
Rent paid	2,775	846
Contribution to Provident Fund	555	519
	10,252	2,775
*Net of recoveries made		
	2006	2005
(b) Computation of net profit in accordance with Section 198 read with Section 349 of the Companies Act, 1956 :		
Profit for the year before taxation as per Profit & Loss Account	266,013	98,265
Add: Depreciation as per Profit & Loss Account	105,202	102,658
Directors' Remuneration	10,252	2,775
Loss of sale of Fixed Assets	-	22
	381,467	203,720
Less: Depreciation u/s 350 of the Companies Act	151,733	148,152
Profit on sale of Fixed Assets	19	-
Profit on sale of Investments	-	6
Net Profit in accordance with Section 198 and 349	229,715	55,562
Commission @ 1% of Net Profit	2,297	-
(c) Expenditure in Foreign Currency (cash basis)		
Travelling	107	90
Professional Services	2,277	Nil
(d) Value of imports calculated on CIF basis		
Machinery Spares	26,366	34,510

11. Amount payable to Small Scale undertakings as at 31st march, 2006, is Rs. Nil (previous year Rs. Nil) to the extent such parties have been identified from available information.



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) Information in respect of generation and Turnover:

		2006	2005
(i) Installed capacity (as certified by the Management)		86 MW	86 MW
(ii) Generation	M.U.	340.221	275.379
(iii) Less:- Auxiliary Consumption and Associated Transmission Loss	M.U.	3.915	2.843
Free Energy to Govt. of H.P.	M.U.	50.446	40.880
Free Energy to HPSEB for wheeling of power	M.U.	11.434	9.266
(iv) Turnover (including impact of UI Charges - 0.026 M.U., Previous year 0.856 MU)	M.U.	274.400	223.246
	Rs'000	722,745	524,629

b) Imported and indigenous stores and spare parts consumed:

Stores & Spares	Percentage of total consumption		Value (Rs. '000)	
	2006	2005	2006	2005
Imported	63.92	60.90	39,728	38,701
Indigenously obtained	36.08	39.10	22,421	24,849
	100.00	100.00	62,149	63,550

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

As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

per **Raj Agrawal**
Partner

Membership No. : 82028

Place : New Delhi

Dated: September 07, 2006

For and on behalf of the Board of Directors

Ravi Jhunjhunwala Chairman & Managing Director
Øistein Andresen Director
Varun Gupta Company Secretary

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

PARTICULARS	(Rs. '000)	
	2005-06	2004-05
A. Cash flow from operating activities		
Net profit before taxation	266,013	98,265
Adjustments for:		
Depreciation	105,202	102,658
Interest expenses	132,157	154,776
Deferred revenue expenses written off	11,257	12,999
Loss / (profit) on fixed assets sold / discarded (net)	(19)	22
Profit on redemption of short term investment	-	(6)
Unrealised foreign exchange loss	3,305	(4,190)
Interest income	(11,098)	(11,552)
Operating profit before working capital changes	506,817	352,972
Movements in working capital:		
Decrease / (increase) in sundry debtors	14,941	(2,775)
Decrease / (increase) in loan and advances	592,171	(474,029)
Decrease / (increase) in inventories	(4,067)	(3,733)
Decrease in current liabilities	(171)	(8,582)
Cash (used in) / generated from operations	1,109,691	(136,147)
Direct taxes paid (net of refund)	27,292	16,438
Net cash from / (used in) operating activities	1,082,399	(152,585)
B. Cash flows from investing activities		
Purchase of fixed assets	(15,259)	(9,177)
Purchase of investments	(1,910,500)	(10,000)
Proceeds from sale of fixed assets	308	812
Interest received	10,605	12,446
Proceeds from sale of investment		10,006
Net cash from / (used in) investing activities	(1,914,846)	4,087



(Rs. '000)		
PARTICULARS	2005-06	2004-05
C. Cash flows from financing activities		
Proceeds from issuance of share capital	1,361,986	230,040
Receipt of share application money	-	230,040
Proceeds from long term borrowings	759,395	886,951
Repayment of long term borrowings	(1,019,788)	(1,066,906)
Interest paid	(131,844)	(153,411)
Net cash from financing activities	969,749	126,714
Net increase / (decrease) in cash and cash equivalents (A+B+C)	137,302	(21,782)
Cash and cash equivalents at the beginning of the year	34,971	56,753
Cash and cash equivalents at the end of the year	172,273	34,971
Components of cash and cash equivalents		
Cash on hand	388	5,164
With banks - on current accounts	33,202	20,429
- in deposit accounts	138,683	9,379
	172,273	34,971

As per our report of even date attached

For S.R.Batliboi & Associates
Chartered Accountants

per Raj Agrawal
Partner
Membership No. : 82028

Place : New Delhi
Dated: September 07, 2006

For and on behalf of the Board of Directors

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



BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS :

Registration No.	<input type="text"/> <input type="text"/> 1 9 9 5 9	State Code	<input type="text"/> 0 <input type="text"/> 6
Balance Sheet Date	<input type="text"/> 3 <input type="text"/> 1 <input type="text"/> 0 <input type="text"/> 3 <input type="text"/> 2 <input type="text"/> 0 <input type="text"/> 0 <input type="text"/> 6	Date	Month Year

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue	<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/>	Rights Issue	<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/>
Bonus Issue	<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/>	Private Placement	<input type="text"/> 5 <input type="text"/> 6 <input type="text"/> 0 <input type="text"/> 5 <input type="text"/> 7 <input type="text"/> 2

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities	<input type="text"/> 5 <input type="text"/> 0 <input type="text"/> 2 <input type="text"/> 5 <input type="text"/> 1 <input type="text"/> 3 <input type="text"/> 5	Total Assets	<input type="text"/> 5 <input type="text"/> 0 <input type="text"/> 2 <input type="text"/> 5 <input type="text"/> 1 <input type="text"/> 3 <input type="text"/> 5
Sources of Funds			
Paid-up-Capital	<input type="text"/> 1 <input type="text"/> 3 <input type="text"/> 0 <input type="text"/> 9 <input type="text"/> 3 <input type="text"/> 3 <input type="text"/> 1	Reserves and Surplus	<input type="text"/> 1 <input type="text"/> 7 <input type="text"/> 6 <input type="text"/> 2 <input type="text"/> 8 <input type="text"/> 7 <input type="text"/> 5
Share Application Money	<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/>	Deferred Tax Liability	<input type="text"/> <input type="text"/> 1 <input type="text"/> 7 <input type="text"/> 9 <input type="text"/> 0 <input type="text"/> 2 <input type="text"/> 4
Secured Loans	<input type="text"/> 1 <input type="text"/> 6 <input type="text"/> 9 <input type="text"/> 1 <input type="text"/> 8 <input type="text"/> 9 <input type="text"/> 4	Unsecured Loans	<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/>
Application of Funds			
Net Fixed Assets (incl. P.O.P. expenses)	<input type="text"/> 2 <input type="text"/> 7 <input type="text"/> 9 <input type="text"/> 4 <input type="text"/> 4 <input type="text"/> 2 <input type="text"/> 3	Investments	<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/>
Net Current Assets	<input type="text"/> <input type="text"/> 2 <input type="text"/> 3 <input type="text"/> 0 <input type="text"/> 3 <input type="text"/> 8 <input type="text"/> 0	Miscellaneous Expenditure	<input type="text"/> <input type="text"/> <input type="text"/> 3 <input type="text"/> 6 <input type="text"/> 5 <input type="text"/> 4
Accumulated Losses	<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/>		

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover	<input type="text"/> <input type="text"/> 7 <input type="text"/> 2 <input type="text"/> 3 <input type="text"/> 3 <input type="text"/> 6 <input type="text"/> 1	Total Expenditure	<input type="text"/> <input type="text"/> 4 <input type="text"/> 5 <input type="text"/> 7 <input type="text"/> 3 <input type="text"/> 4 <input type="text"/> 8
Profit/(Loss) before Tax	<input type="text"/> <input type="text"/> 2 <input type="text"/> 6 <input type="text"/> 6 <input type="text"/> 0 <input type="text"/> 1 <input type="text"/> 3	Profit/(Loss) after tax	<input type="text"/> <input type="text"/> 1 <input type="text"/> 5 <input type="text"/> 6 <input type="text"/> 3 <input type="text"/> 9 <input type="text"/> 2
Earning Per Share (in Rs.)	<input type="text"/> <input type="text"/> <input type="text"/> 1 <input type="text"/> . <input type="text"/> 3 <input type="text"/> 7	Dividend Rate (%)	<input type="text"/> <input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/>

V. GENERIC NAMES OF THE THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Product Description	<input type="text"/> H <input type="text"/> y <input type="text"/> d <input type="text"/> r <input type="text"/> o <input type="text"/> <input type="text"/> E <input type="text"/> l <input type="text"/> e <input type="text"/> c <input type="text"/> t <input type="text"/> r <input type="text"/> i <input type="text"/> c <input type="text"/> <input type="text"/> E <input type="text"/> n <input type="text"/> e <input type="text"/> r <input type="text"/> g <input type="text"/> y

For and on behalf of the Board of Directors

Ravi Jhunjhunwala Chairman & Managing Director
Øistein Andresen Director
Varun Gupta Company Secretary

Place : Manali
Dated: September 06, 2006



MALANA POWER COMPANY LIMITED

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

1. Name of the subsidiary	AD Hydro Power Limited
2. Financial period ended	March 31, 2006
3. Holding company's interest	100% 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

For Financial Year of the Subsidiary

5. Profits/(Loss) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in Col.6)	Nil
6. Profit/(Loss) so far it concerns the Members of the holding company and dealt with in the books of account of holding company.	Nil

For the previous financial year since it become a Subsidiary

7. Profits/(Loss) so far it concerns the members of the holding company and not dealt with in the books of account of the holding company (except to the extent dealt with in Col.6)	Nil
8. Profit/(Loss) so far it concerns the Members of the holding company and dealt with in the books of account of holding company.	Nil

* The Company has not yet commenced commercial production/activities, therefore, no Profit & Loss Account has been prepared. The expenditure incurred so far forms part of Project and Preoperative expenditure-Pending Allocation.

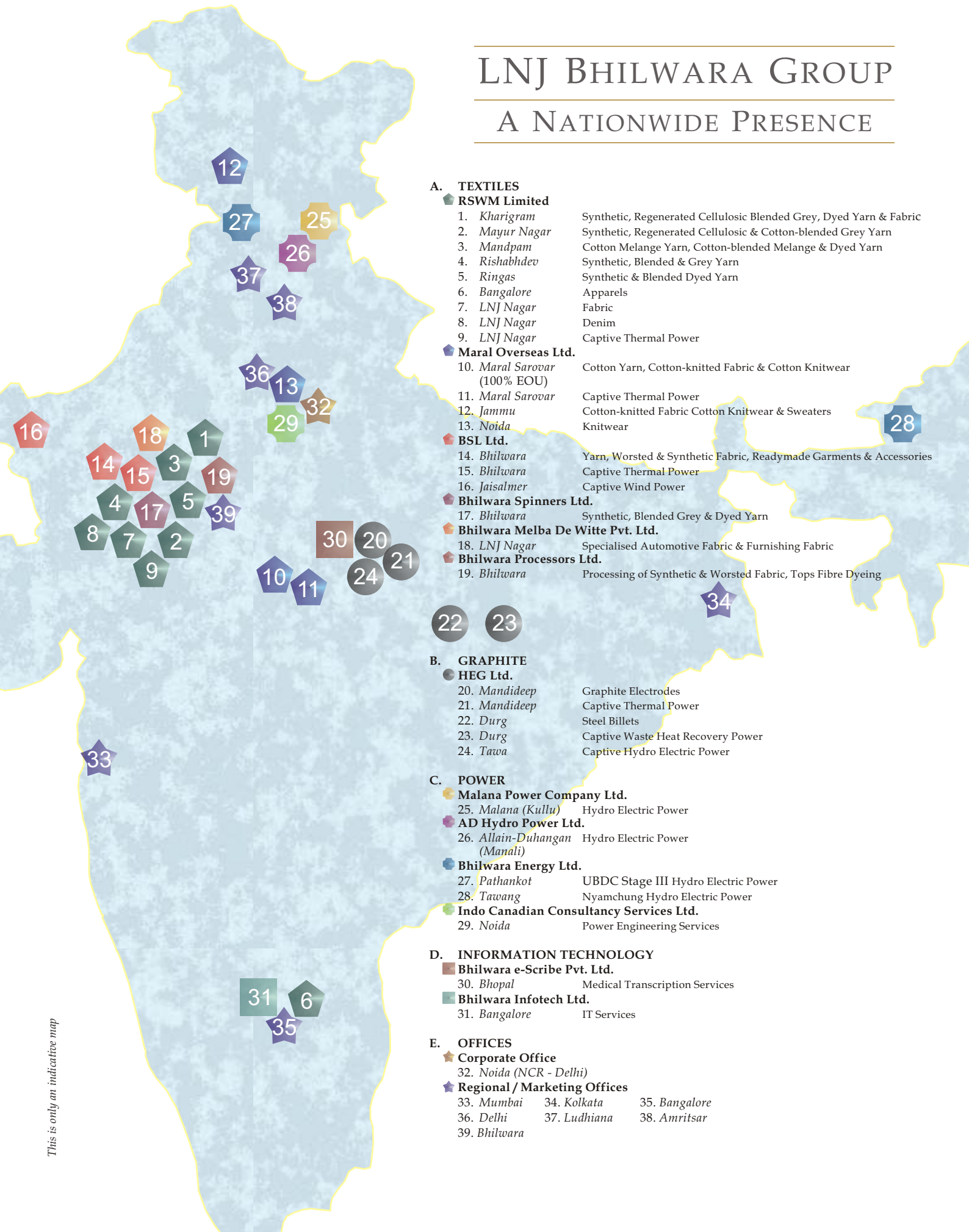
For and on behalf of the Board of Directors

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

Place : Manali
Dated: September 06, 2006

LNJ BHILWARA GROUP

A NATIONWIDE PRESENCE



A. TEXTILES

◆ RSWM Limited

1. *Kharigram* Synthetic, Regenerated Cellulosic Blended Grey, Dyed Yarn & Fabric
2. *Mayur Nagar* 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* Apparels
7. *LNJ Nagar* Fabric
8. *LNJ Nagar* Denim
9. *LNJ Nagar* Captive Thermal Power

◆ Maral Overseas Ltd.

10. *Maral Sarovar* Cotton Yarn, Cotton-knitted Fabric & Cotton Knitwear (100% EOU)
11. *Maral Sarovar* Captive Thermal Power
12. *Jammu* Cotton-knitted Fabric Cotton Knitwear & Sweaters
13. *Noida* Knitwear

◆ BSL Ltd.

14. *Bhilwara* Yarn, Worsted & Synthetic Fabric, Readymade Garments & Accessories
15. *Bhilwara* Captive Thermal Power
16. *Jaisalmer* Captive Wind Power

◆ Bhilwara Spinners Ltd.

17. *Bhilwara* Synthetic, Blended Grey & Dyed Yarn

◆ Bhilwara Melba De Witte Pvt. Ltd.

18. *LNJ Nagar* Specialised Automotive Fabric & Furnishing Fabric

◆ Bhilwara Processors Ltd.

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

22

23

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

◆ Malana Power Company Ltd.

25. *Malana (Kullu)* Hydro Electric Power

◆ AD Hydro Power Ltd.

26. *Allain-Duhangan (Manali)* Hydro Electric Power

◆ Bhilwara Energy Ltd.

27. *Pathankot* UBDC Stage III Hydro Electric Power
28. *Tawang* Nyamchung Hydro Electric Power

◆ Indo Canadian Consultancy Services Ltd.

29. *Noida* Power Engineering Services

D. INFORMATION TECHNOLOGY

◆ Bhilwara e-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 Offices

- | | | |
|---------------------|---------------------|----------------------|
| 33. <i>Mumbai</i> | 34. <i>Kolkata</i> | 35. <i>Bangalore</i> |
| 36. <i>Delhi</i> | 37. <i>Ludhiana</i> | 38. <i>Amritsar</i> |
| 39. <i>Bhilwara</i> | | |



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The LNJ Bhilwara Group

Our Companies

 RSWM Limited an LNJ Bhilwara Group Company	 HEG	 Maral	 MPCL MALANA POWER	 AD HYDRO POWER LIMITED ADHPL	 ics	 BMD BHEWAKA MELBA DE WITTE	 BSL LIMITED	 Bhilwara Spinners Ltd
Textiles	Graphite Electrodes Steel / Power	Knitted Garments	Power Generation	Power Generation	Power Engineering Consultancy	Automotive Fabric	Suitings	Yarn

Our Brands

 VELANTREL RELANCE YARN	 La Italia TROUSERS	 MAYUR SUITINGS Stars ki pasand	 GEOFFREY HAMMONDS SPECIALISED SUITINGS	 BSL SUITINGS
Yarn	Garments	Suitings	Fabric	Suitings

Our Partnerships

Company	Partner with	Activity
Statkraft Norfund Power Invest A.S., Norway	Malana Power Co. Ltd.	192 MW Hydroelectric Project
RSW International, Canada	ICCS Ltd.	Power Consultancy Services
International Finance Corporation, Washington	AD Hydro Power Ltd.	Equity holders in AD Hydro Power Project
De Witte Lietaer, Belgium	BMD Pvt. Ltd.	Specialised Automotive Furnishing Fabric
Tencel, UK (now Lenzing, Austria)	RSWM Ltd.	Tencel Yarn Spinning
Hoechst (now Trevira CS), 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



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