

MALANA POWER COMPANY LIMITED

**ANNUAL REPORT FOR THE
FINANCIAL YEAR**

2015-16

DIRECTORS' REPORT FOR THE FINANCIAL YEAR 2015-16

To The Members

Malana Power Company Limited

The Board of Directors of the Company are pleased to present their Nineteenth Annual Report on the business and operations of the Company and audited statement of accounts for the year ended 31st March, 2016 together with the Auditors' Report.

1. FINANCIAL PERFORMANCE

(Rs. in millions)

Particulars	Consolidated Results		Standalone Results	
	For the Year ended 31.03.2016	For the Year ended 31.03.2015	For the Year ended 31.03.2016	For the Year ended 31.03.2015
Total Turnover	2,704.70	3,014.85	785.86	892.84
Less : Discount On Prompt Payments / Unscheduled Interchange Charges/ Handling Charges/ Professional Charges	(23.57)	(110.56)	(39.26)	(25.13)
Add: Transmission Charges Received	283.71	271.17	9.95	-
Net Sales	2,964.84	3,175.46	791.88	867.71
Other Income	733.70	389.00	572.78	13.96
Total Income	3,698.54	3,564.46	1,364.66	881.67
Profit Before Interest, Depreciation And Tax	2,720.49	2,454.54	926.96	611.46
Less: Interest	(1,094.52)	(1,188.74)	(245.85)	(268.18)
Profit Before Depreciation And Tax	1,625.97	1,265.80	681.11	343.28
Less: Depreciation	(655.26)	(722.70)	(42.31)	(109.12)
Profit Before Tax	970.71	543.10	638.81	234.16
Provision For Tax				
- Current Tax	(103.06)	(52.10)	(103.06)	(52.10)

Malana Power Company Limited

Corporate Office:
Bhilwara Towers, A-12, Sector-1
Noida - 201 301 (NCR-Delhi), India
Tel. : +91-120-4390300 (EPABX)
Fax : +91-120-4277841, 4277842
Website : www.lnjbhilwara.com

Site & Regd. Office:
Village Chauki, Post Office Jari
Distt. Kullu - 175 105 (H.P.), India
Tel. : +91-1902-276074, 276075
Fax : +91-1902-276351
Website: www.malanapower.com

Corporate Identification Number: U40101HP1997PLC019959

- Deferred Tax Charge/(Credit)	(26.93)	(93.57)	(26.93)	(93.57)
Net Profit After Depreciation, Interest And Tax (Pat)	840.72	397.43	508.82	88.49
Less: Minority Interest	(39.83)	(37.07)	-	-
Profit after Minority Interest	800.89	360.36	-	-
Balance Brought Forward From Previous Year	2,963.81	2,603.45	4,833.16	4,744.67
Amount Available For Appropriation	3,764.70	2,963.81	5,341.98	4,833.16
Appropriation, if any	-	-	-	-
Surplus carried to Balance sheet	3,764.70	2,963.81	5,341.98	4,833.16
Basic and Diluted Earning Per Share (EPS) (in Rs.)	5.43	2.44	3.45	0.60

OVERALL PERFORMANCE**Consolidated:**

The key aspects of your Company's Consolidated Financial Statement for the Financial Year 2015-16 is as follows:

The Company recorded net sales of Rs. 2,964.84 million during the financial year 2015-16 as compared to Rs. 3175.46 million in the previous financial year. **The Net profit during the financial year 2015-16 was at Rs.840.72 million as compared to Rs. 397.43 million in the previous financial year.**

The Consolidated Financial Statements have been prepared by the Company in accordance with the applicable Accounting Standards. The audited consolidated financial statements together with Auditors' Report form part of the Annual Report.

Standalone:

The Company recorded net sales of Rs.791.88 million during the financial year 2015-16 as compared to Rs.867.71 million in the previous financial year. **The Net profit during the financial year 2015-16 was at Rs.508.82 million as compared to Rs. 88.49 million in the previous financial year.**

The generation during the year stood at 344.23 Million Kwh in the financial year 2015-16 as compared to 331.61 Million kWh in the previous year.

The operation data for the year is as given below:

(in million units)			
S. No.	Particulars	2015-16	2014-15
1	Total Generation	344.23	331.61
2	Less: Auxiliary & Transformation Loss	4.10	4.27
3	Less: Royalty/Wheeling to Govt. of HP	78.90	75.93
4	Less: Impact of Unscheduled Interchange Energy /PoC Loss	7.49	5.83
5	Total Units sold	253.74	245.58

2. ONGOING PROJECT: BARA BHANGAL HEP

The members are aware that the Company was allotted 200 MW Bara Bhangal Hydro-electric Project (HEP) on River Ravi in Indus Basin located in District Chamba of Himachal Pradesh. As apprised to the members in the previous Report, some part of project falls under Dhauladhar Wild Life Sanctuary (DWLS). After approval of the Govt. of Himachal Pradesh (GoHP) to implement Bara Bhangal Hydro-electric Project (200 MW) in two stages, a Supplementary Pre-Implementation Agreement (SPIA) was signed with the State Government on 03.02.2014 to implement Bara Bhangal Stage – I HEP (92 MW). The Detailed Project Report for BBHEP Stage-I (92MW) as required to be submitted to the State Government in terms of the SPIA has been completed through Indo Canadian Consultancy Services Ltd.

Your Board of Directors in view of the economical non-viability of the Project due to high CAPEX estimate had withheld all activities on the project. The State Government has been requested to grant extension for submission of the DPR for a further period of two years i.e. upto 03.02.2017,

which is awaited. The Company in the meantime, mentioning the difficulty due to wildlife norms, has written to the Directorate of Energy, Government of Himachal Pradesh vide letter dated 09.12.2015, and expressed its inability in doing project. In this regard, the Company has also requested for refund of the entire amount of upfront premium of Rs. 612.00 million paid by MPCL for allotment of the project along with interest @ 12%.

The Directorate of Energy vide its letter dated 13.01.2016 had intimated that as per Clause 14 of Pre-Implementation Agreement the upfront premium is liable for refund without interest only in the event of a project not found viable after preparation/submission of DPR which is contrary to our submissions. The matter will be taken up with Directorate of Energy, GoHP.

3. SUBSIDIARY COMPANY: AD HYDRO POWER LIMITED

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

In terms of the provisions of section 136(1) of the Companies Act, 2013, the audited financial statements of M/s AD Hydro Power Limited, subsidiary company of Malana Power Company Limited are being annexed in this Annual Report and have also been placed on the website of the Company. The financial statements of the subsidiary Company are kept for inspection by the shareholders at the registered office of the Company.

The subsidiary Company has reported net profit of Rs. 331.90 million in the financial year 2015-16. A report on the performance and financial position of the subsidiary Company as per the Companies Act, 2013 in the Form AOC- 1 is annexed to the Consolidated Financial Statement and hence not repeated for the sake of brevity.

4. DIVIDEND

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

5. INDUSTRY POTENTIAL & DEVELOPMENT

Electricity generation in India is predominantly Thermal based accounting for almost 70% per cent of the total installed capacity of 303.11 GW as on 30th June 2016. Hydro, Nuclear and RES were the other major sources. Currently, over one-third of the population doesn't have access to electricity. Further, India has a low per capita power consumption level when compared to other

developing countries. The gap in the electricity demand-supply situation is highlighted by the fact that the country experienced a peak deficit of 3.2% and energy deficit of 2.1% in FY 15-16 with the relatively surplus western and eastern regions unable to compensate for the severely deficit northern, southern and north-eastern regions due to various reasons including non availability of adequate transmission corridor.

India is a country of abundant Energy Potential for development through various sources of power and can bridge the gap of demand and supply for overall growth of the country. Hydro power generation is an area which can ensure not only the abridgement of gap in demand and supply, but can eventually lead to surplus power in the country if proper attention is paid to harness the hydro potential of the country. Hydro energy along with all sorts of renewable energies and nuclear energy can be the best and cost effective supplement of the thermal energy besides being eco-friendly. India is endowed with rich hydropower potential to the tune of 148 GW (which would be able to meet a demand of 84 GW at 60% load factor) which makes it one of the most important potential sources to meet the energy security needs of the country.

The government of India has, over the years, taken a number of initiatives to prioritize hydropower development and to attract investments in the sector. However, issues in implementation of such policy initiatives and regulations still plague the sector resulting in the declining share of hydropower in India's energy mix to as low as 14.10%. Various factors such as environmental concerns, R&R issues, land acquisition problems, long clearance and approval procedures, capability of developers, etc. have contributed to the slow pace of hydropower development in the past. Though private participation in the hydropower sector has gained momentum in the recent past, it still faces impediments in the execution of projects across various stages of the project implementation cycle. It is to be emphasized that both environment and development activities are important. Therefore, there is a need to strike a balance between the two. Moreover, enabling provisions should be made that may attract active private participation into the diminishing hydro power sector.

Long term power markets have historically dominated the power sector and expected to continue to do so. However, development of short-term power market over the last 10 years through bilateral contracts and Power exchange has significantly provided an opportunity to the Distribution Utilities to optimize their power purchase portfolio not only to reduce their overall cost of purchase but also to meet their seasonable as well as peak demand. However in terms of size the short-term power market remained only 10.45% in 2015-16 leaving ample scope to grow.

India has traditionally been a supply deficit nation, with a constant concern of security and reliability of supply. Creation of a national grid has been supported by commercial contracts wherein huge volumes of electricity are transferred across the country. The exchanges have aided in better utilization of national resources, reduced unmet energy and consequent economic losses and improved energy security of the nation. Short-term exchange based markets have been instrumental in incentivizing the mobilization of resources in electricity generation – which India needs desperately to bridge its demand-supply gap.

While short-term power market offers significant benefits to industrial consumers, there are a number of challenges that deter them from opting for this route. Among the major impediments are the prohibitive open access charges and the unwillingness of states to allow open access for fear of losing high-paying industrial consumers. On the supply side, additional generation capacity along with improving availability of domestic coal and expanding transmission network has increased the power availability in the open market. On the other hand, industrial slowdown and strained finances of discoms have curtailed their demand of power. Therefore, under the current Short-term power market scenario where power supply is more than the demand, Hydro power market in particular requires some external stimulus. Though there have been discussions on introducing HPO (Hydro Power Purchase Obligation), but it has yet to become reality. Recently a parliamentary committee has recommended to the Union Legislature to confer renewable energy source status to all types of hydro power plants. Moreover, the same parliamentary committee has also recommended that banks and financial institutions must be persuaded to lend long term finance to hydro power sector owing to their long operational life.

Thus, a number of initiatives are in pipeline for rejuvenating the Hydro power segment, but at the same time, their timely imposition and effective implementation will be the key for enhanced share of hydro power in the installed capacity which will lead to grid stability along with '24 X 7 power to all'.

6. CORPORATE GOVERNANCE

Your Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by under the Companies Act, 2013. The Company has also implemented several best corporate governance practices as prevalent globally.

Your Company is committed to achieving the higher standard of Corporate Governance by application of the best management practices, compliance with law, adherence to ethical standards and discharge of social responsibilities. Your Company has in all spheres of its activities adequate checks and balances to ensure protection of interest of all stakeholders. Your Company also endeavors to share, with its stakeholders' openly and transparently, information on matters which have a bearing on their economic and reputational interest.

The majority of the Board comprises of Non-Executive Directors' including Independent Directors appointed under the Companies Act, 2013, who play a critical role in imparting balance to the Board processes, by bringing an independent judgment to decide on issues of strategy, performance, resources, standards of Company's conduct, etc. The Audit Committee of the Board provides assurance to the Board on the adequacy of Internal Control Systems and Financial Systems.

7. INTERNAL CONTROL SYSTEMS AND ADEQUACY THEREOF

The Company has an adequate internal control system commensurate with the size and nature of its business. An internal audit program covers various activities and periodical reports are submitted to the management. The Audit Committee reviews financial statements, internal audit reports along with internal control systems. The Company has a well defined organizational structure, authority levels, delegation of powers and internal rules and guidelines for conducting business transactions.

8. PERSONNEL

a) Industrial relations

The industrial relations during the period under review remained cordial at the Plant and Corporate office of the Company without any untoward incidents.

b) Particulars of employees

The information required pursuant to Section 197 read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is annexed herewith as **Annexure - I**.

9. PUBLIC DEPOSITS

The details in regard to deposits, covered under Chapter V of the Companies Act, 2013 are mentioned hereunder;

a) Amount accepted during the year	Nil
b) Amount remained unpaid or unclaimed as at the end of the year	Nil
c) Default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved	
i) at the beginning of the year	-N/A-
ii) maximum during the year	-N/A-
iii) at the end of the year	-N/A-

The company does not have deposits which are in contradiction of Chapter V of the Act.

Your Company has not invited any deposits from public/shareholders in accordance with Chapter V of the Companies Act, 2013.

10. SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

There are no significant and material orders passed by the regulators or courts or tribunals during the financial year 2015-16, impacting the going concern status and company's operations in future.

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

The information with regard to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo in accordance with the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014, is given as **Annexure II** forming part of this Report.

12. DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the year, the Board made the following appointments/re-appointments on the recommendation of the Nomination and Remuneration Committee.

- ❖ Mr. Knut Leif Bredo Erichsen was appointed as the Additional Director from 01st September, 2015.
- ❖ The term of Mr. Knut Leif Bredo Erichsen as a Director came to an end as on the date of Annual General Meeting of the Company held on 29th September 2015. Mr. Bredo Erichsen was further regularized as the Director in the Eighteenth Annual General Meeting of the Company held on 29th September 2015.

Re-appointments

- ❖ During the year, Mr. Rajinder Pal Goel, Director and Ms. Tima Iyer Utne, Director would have retired by rotation at the ensuing Annual General Meeting and, being eligible, had offered themselves for re-appointment and the members had approved their re-appointments.

Resignations

- ❖ Mr. Lars Espen Ellegard resigned from the Directorship of the Company w.e.f 01st September, 2015.
- ❖ Mr. Bidyut Shome, Director, resigned from the Directorship of the Company w.e.f. 29th January, 2016.

Your Directors wishes to place sincere thanks and appreciation for the contribution made by Mr. Lars Espen Ellegard and Mr. Bidyut Shome during their tenure as the Directors of the Company.

Your Directors further inform the members that declarations have been taken from the Independent Directors at the beginning of the financial year stating that they meet the criteria of independence as specified under sub-section (6) of Section 149 of Companies Act, 2013.

13. NOMINATION AND REMUNERATION POLICY

The Board, on the recommendation of the Nomination & Remuneration Committee approved a policy for appointment, re-appointment and removal of Directors, Key Managerial Personnel and Senior Management and their remuneration. The policy is appended as **Annexure-III** forming part of this Report.

14. MEETINGS OF THE BOARD

The Board of Directors had met 4 (four) times during the financial year 2015-16. The meetings of the Board were held on 12th June 2015, 01st September 2015, 19th November, 2015 and 16th March 2016 respectively.

The attendance for the above mentioned meetings were as follows:

S. NO.	NAME OF DIRECTOR	CATEGORY	NO. OF MEETINGS HELD	NO. OF MEETINGS ATTENDED
1.	Mr. Ravi Jhunjunwala	Chairman & Managing Director	4	4
2.	Dr. Kamal Gupta	Non-Executive Independent Director	4	4
3.	Mr. Bidyut Shome***	Non-Executive Director	4	3
4.	Mr. Rajinder Pal Goel	Non-Executive Director	4	4
5.	Mr. Lars Espen Ellegard*	Non-Executive Director	4	1
6.	Ms. Tima Iyer Utne	Non-Executive Director	4	4
7.	Mr. Tantra Narayan Thakur	Non-Executive, Independent Director	4	4

8.	Mr. Knut Leif Bredo Erichsen**	Non-Executive Director	4	3
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** Mr. Lars Espen Ellegard has resigned from the Directorship of the Company w.e.f. 01st September, 2015*

***Mr. Knut Leif Bredo Erichsen was appointed as an additional Director w.e.f. 01st September, 2015.*

****Mr. Bidyut Shome has resigned from the Directorship of the Company w.e.f. 29th January, 2016*

15. MEETINGS OF THE COMMITTEES

At present, the Board has three Committees: (i) Audit committee, (ii) Nomination and Remuneration Committee, (iii) Corporate Social Responsibility Committee.

According to requirements under the Companies Act, 2013, the meetings of the Committees of the Board were conducted as and when required and their decisions and recommendations were duly accepted by the Board.

The following are the compositions and attendance of the above mentioned committees.

(i) AUDIT COMMITTEE

As per section 177 of the Companies Act, 2013, your Board has constituted an Audit Committee whose roles and responsibilities are to review the Company's financial results, review Internal Control Systems, Risk and Internal Audit Reports. The proceedings of the Committee have been in accordance with the provisions of the Companies Act, 2013 and Rules made thereunder.

All the recommendations of the Audit Committee were duly accepted by the Board during the financial year 2015-16.

The composition as well as the Audit Committee meetings held in the financial year 2015-16 is as below:

➤ Composition of the Committee

All the Members of the Committee possess knowledge of corporate finance, accounts and corporate laws. The Statutory Auditors, Internal Auditors and Senior Executives of the Company

were invited to attend the meetings of the Committee. The Company Secretary acts as the Secretary to the Committee.

S. No.	Name of Director	Designation	Category
1	Ms. Tima Iyer Utne	Member	Non-Executive Director
2	Dr. Kamal Gupta	Member	Non-Executive Independent Director
3	Mr. Tantra Narayan Thakur	Member	Non-Executive Independent Director

➤ **Meetings and attendance**

The Audit Committee had met twice during the financial year to review the financial statements and the Internal Audit Reports of the Company. The meetings were held on 01st September, 2015 and 16th March, 2016.

The attendance for the above mentioned meetings are as below:

S. No.	Name of the Member	Designation	Attended 1 st September 2015 (Yes/No)	Attended 16 th March 2016 (Yes/No)
1.	Ms. Tima Iyer Utne	Member	Yes	Yes
2.	Dr. Kamal Gupta	Member	Yes	Yes
3.	Mr. Tantra Narayan Thakur	Member	Yes	Yes

(ii) **NOMINATION AND REMUNERATION COMMITTEE**

As mentioned in the previous Directors' Report for the Financial Year 2014-15, the erstwhile Remuneration Committee of the Company was renamed as the Nomination and Remuneration Committee to function according to the Companies Act, 2013.

➤ **The Composition of the Committee is as under:**

For the financial year 2015-16, the composition of the Nomination and remuneration Committee was as follows:

S. No.	Name of Director	Designation	Attended (Yes/No)
1	Ms. Tima Iyer Utne	Member	Non-Executive Director
2	Mr. Rajinder Pal Goel	Member	Non-Executive Director
3	Dr. Kamal Gupta	Member	Non-Executive Independent Director
4	Mr. Tantra Narayan Thakur	Member	Non-Executive Independent Director

The Company Secretary acts as the Secretary of the Committee.

➤ **Meetings and attendance**

The committee met once in the financial year 2015-16, on 01st September, 2015.

The attendance for the committee is as follows:

S. No.	Name of Director	Designation	Attended (Yes/No)
1	Ms. Tima Iyer Utne	Member	Yes
2	Mr. Rajinder Pal Goel	Member	Yes
3	Dr. Kamal Gupta	Member	Yes
4	Mr. Tantra Narayan Thakur	Member	Yes

(iii) **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

Your Company has been an earlier adopter of the Corporate Social Responsibility policies. As part of its initiatives under Corporate Social Responsibility (CSR), the Company had undertaken projects in the areas of promotion of Education, taking initiatives towards Community Service and rural development, Healthcare, Plantation & Environmental Development, Protection of art, culture etc. These projects were in accordance with the CSR Policy of the Company and Schedule VII of the Companies Act, 2013 and Rules made thereunder.

As per the Companies Act, 2013, all the companies which having net worth of Rs. 500 crore or more, or a turnover of Rs. 1000 crore or more, or a net profit of Rs. 5 crore or more are required to constitute CSR Committee of the Board of Directors comprising three or more Directors out of which atleast one should be the Independent Director.

All such Companies are required to spend atleast 2% of its average net profit on the three preceding financial years on the CSR related activities.

Accordingly, the Company was required to spend an amount of Rs. 2.45 million on the CSR activities of the Company out of which the amount of Rs. 0.92 million was utilized on the activities mentioned in the schedule VII of the Companies Act, 2013.

The Company shall keep on taking the endeavors to meet the expenditure planned for CSR activities. The CSR policy may be accessed on the Company's website at the link mentioned below: http://malanapower.com/docs/MPCL_CSR_Policy.pdf

The Annual Report on CSR activities is enclosed as Annexure VI, forming part of this report.

➤ **The composition of the Corporate Social Responsibility Committee:**

The composition of the Corporate Social Responsibility Committee is as under:

S. No.	Name of Director	Designation	Category
1	Mr. Ravi Jhunjunwala	Member	Chairman & Managing Director
2	Ms. Tima Iyer Utne	Member	Non-Executive Director
3	Dr. Kamal Gupta	Member	Non-Executive Independent Director

➤ **Meetings and attendance**

The committee met twice in the financial year 2015-16. The meeting was held on 01st September, 2015 & 16th March 2016.

The attendance for the committee is as follows:

S. No.	Name of Director	Designation	Attended 1 st September 2015 (Yes/No)	Attended 16 th March 2016 (Yes/No)
1	Mr. Ravi Jhunjunwala	Member	Yes	Yes
2	Ms. Tima Iyer Utne	Member	Yes	Yes
3	Dr. Kamal Gupta	Member	Yes	Yes

(iv) **INDEPENDENT DIRECTORS' MEETING**

The Independent Directors met on 2nd May, 2016, without the attendance of Non Independent Directors and members of the Management. The Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole; the

performance of the Chairman of the Company, taking into account the views of Executive Directors and Non-Executive Directors and assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

(v) BOARD EVALUATION:

The Board adopted a formal mechanism for evaluating its performance as well as that of its Committees and individual Directors, including the Chairman of the Board. The exercise was carried out through a structured evaluation process covering various aspects of the Board functioning such as composition of the Board & committees, experience & competencies, performance of specific duties & obligations, contribution at the meetings and otherwise, independent judgment, governance issues etc.

16. MEETING OF THE MEMBERS

- The Annual General meeting of the members were held on 29th September, 2015.
- An Extra Ordinary General meeting of the Company was held on 18th November, 2015.

17. VIGIL MECHANISM /WHISTLE BLOWER

The Board on the recommendation of Audit Committee has adopted a Whistle Blower Policy. The details of the same are disclosed on the website of the Company and a web link thereto is as under:

http://malanapower.com/docs/MPCL_Whistle_Blower_Policy.pdf

18. INTERNAL FINANCIAL CONTROL (IFC) SYSTEM AND THEIR ADEQUACY:

The Directors are responsible for laying down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively. As per Section 134(5) (e) of the Companies Act, 2013, the Directors' Responsibility Statement shall state the same.

Your Company has adopted the IFC framework as guidance, for ensuring adequate controls and its effectiveness within the company. The process of assessment of IFC would require setting up of an internal controls function in the organization. The Accounts & Finance Team has been trained to implement and evaluate the design and operating effectiveness of the IFC framework. The framework also focuses on internal controls over financial reporting (ICFR) that are put in

place to develop and maintain reliable financial data, and to accurately present the same in a timely and appropriate manner. The framework refers to the policies and procedures adopted by the company for ensuring , orderly and efficient conduct of its business, including adherence to company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, timely preparation of reliable financial information.

The IT controls provide reasonable assurance of achieving the control objectives related to the processing of financial information within the computer processing environment. IT controls ensures appropriate functioning of IT applications and systems built by the organization to enable accurate and timely processing of financial data.

Your Company deploys best in class applications and systems which streamline business processes, to improve performance and reduce costs. These systems provide seamless integration across modules and functions resulting into strong MIS platform and informed decision-making by the Management.

The company has adequate and effective internal financial control in place which is being periodically evaluated. The Company has put in place strong internal control systems and best in class processes commensurate with its size and scale of operations. Internal Financial Control is a continuous process operating at all levels within the Company.

The ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable accounting principles and policies & procedures.

19. CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

All the related party transactions entered into during the financial year were on an arm's length basis and were in the ordinary course of business. Your Company had not entered into any transactions with related parties which could be considered material in terms of Section 188 of the Companies Act, 2013. Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC 2 is not applicable.

20. STATUTORY AUDITORS

At the annual General Meeting held on 29th September, 2015, M/s S.R. Batliboi & Co. LLP, Chartered Accountants (ICAI Firm Registration No.301003E), were appointed as the Statutory Auditors of the Company to hold office till the conclusion of the Annual General Meeting to be

held in the Calendar Year, 2017. In terms of the proviso of Section 139 of the Companies Act, 2013, the appointment of Statutory Auditors shall be placed for ratification at every Annual General Meeting.

Accordingly the appointment of M/s S.R. Batliboi & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company is placed for ratification by the Shareholders.

The Auditors' Report read along with notes to accounts is self-explanatory and therefore does not call for any further comments. The Auditors' Report does not contain any qualification, reservation adverse remark or disclaimer.

21. COST AUDITORS

The Cost Audit for financial year ended March 31, 2015 was conducted by M/s K.G. Goyal & Co., Cost Accountants (Firm Registration No. 0017). The Cost Audit Report in XBRL mode for financial year ended March 31, 2015 was filed within the due date. The Cost Audit Report does not contain any qualification, reservation, adverse remark or disclaimer.

Based on the Audit Committee recommendations at its meeting held on 16th March, 2016, the Board has approved the re-appointment of M/s K.G. Goyal & Co., Cost Accountants (Firm Registration No. 0017), as the Cost Auditors of the Company for the financial year 2016-17 on a remuneration of Rs. 0.45 lakhs plus service tax and out of pocket expenses that may be incurred by them during the course of audit. As required under the Companies Act, 2013, the remuneration payable to the cost auditor is required to be placed before the Members in a general meeting for their ratification. Accordingly, a Resolution seeking Member's ratification for the remuneration payable to M/s K.G. Goyal & Co., Cost Auditors is included in the Notice convening the Annual General Meeting.

22. SECRETARIAL AUDITORS

The Company had appointed M/s. P. Kathuria & Associates, Company Secretaries, to undertake the Secretarial Audit of the Company for the financial year 2015-16, pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report is annexed herewith as **Annexure IV** for kind attention of the Members. The Secretarial Audit Report does not contain any qualification, reservation adverse remark or disclaimer.

23. INTERNAL AUDITORS

Based on the Audit Committee recommendations, the Board had appointed M/s. KRA & Associates, Chartered Accountants as the Internal Auditors of the Company for the financial year 2016-17.

24. RISK MANAGEMENT

The objective of risk management at the Company is to protect shareholder value by minimizing threats or losses and identifying and maximizing opportunities. An enterprise wide risk management framework is applied so that effective management of risk is an integral part of every employee's job.

The Audit Committee of the Company oversees the Risk functions. Further, the Company has in place Operations & Steering Committee (OSC) and a Policy thereto, which interalia includes the Risk Management Policy including mitigation plans. The Company's risk management strategy is integrated with the overall business strategies of the organization and is communicated throughout the organization. Risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

The annual strategic planning done by OSC provides platform for identification, analysis, treatment and documentation of key risks. It is through this annual planning process that key risks and risk management strategies are communicated to the Board. The effectiveness of risk management strategies is monitored both formally and informally by Management. There is no major risk which may threaten the existence of the Company.

25. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- i. In preparation of the annual accounts, the applicable accounting standards have been followed and there are no material departures from the same;
- ii. They have selected such accounting policies and applied them 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 ended 31st March, 2016 and of the profit of the Company for the year under review;

- iii. They have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. They have prepared the annual accounts on a going concern basis;
- v. That proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
- vi. They have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

26. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Details of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 are given in the notes to the Financial Statements.

27. EXTRACT OF ANNUAL RETURN

The details forming part of the extract of the Annual Return inform MGT-9 is annexed herewith as **Annexure V**.

28. GENERAL DISCLOSURE

- The Company has a group policy in place against Sexual Harassment in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. No complaints were received during the financial year 2015-16.
- There was no change in the name of the Company and its nature of business.
- The financial year of the Company was same as of previous year.
- During the year, there was no change in the issued share capital of the company.
- To the best of our knowledge and belief there has been no instance of fraud that has occurred or reported during the Financial Year 2015-16.

29. ACKNOWLEDGEMENT

Your Directors' place on record their sincere appreciation for the co-operation and support received by your Company from the Ministry of Power, Government of Himachal Pradesh, Ministry of Corporate Affairs, Central and State Government and other government agencies, Lenders, Banks, Financial Institutions, PTC India Limited, Statkraft Markets Private Limited, India Energy Exchange and our valued customers, who have continued their valuable support and encouragement during the year under review.

The Board also thanks the employees at all levels, for the dedication, commitment and hard work put in by them for Company's achievements.

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

**PLACE: NOIDA
DATE: 30TH AUGUST 2016**

**FOR AND ON BEHALF OF THE
BOARD OF DIRECTORS**

**RAVI JHUNJHUNWALA
CHAIRMAN AND MANAGING DIRECTOR
(DIN 00060972)
ADDRESS: BHILWARA TOWERS, A-12,
SECTOR-1, NOIDA-201301**

ANNEXURE – I TO THE DIRECTORS' REPORT

The information of employees as prescribed under the provisions of Section 197 read with Rule 5, sub rule 2 & 3 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 under the Companies Act, 2013, who were employed throughout or for a part of the financial year under review is given as under:

(A) Names of the top ten employees in terms of remuneration drawn											
S. No.	Name of Employee	Designation	Remuneration (in Rs. millions)	Qualification	Experience	Age	Date of Commencement of Employment	Last Employment held at	Shareholding in the Company	Nature of employment	Whether employee is relative of Director
1	Mr. Ravi Jhunjunwala	Chairman & Managing Director	13.66	B. Com (Hons.), MBA	35	60	1-Nov-2001	N.A. as Promoter Director	Nil	Contractual	No
2	Mr. O.P. Ajmera	President, CEO & CFO	14.16	FCA, ACS	29	54	1-Apr-2004	HEG LTD.	Nil	Permanent	No
3	Mr. Sumit Garg	Sr. General Manager-Commercial	4.54	B.Com	22	45	15-Jan-2007	BEL LTD.	Nil	Permanent	No
4	Mr. Pankaj Kumar Sinha	Dy.Gen.Manager-Legal	3.23	LLB	35	60	24-Sep-2009	MODI PON	Nil	Permanent	No
5	Mr. Anil Kumar Garg	General Manager-Business Development	3.24	BSC,BE,MBA	20	45	2-Jul-2001	MALVIKA STEEL LTD.	Nil	Permanent	No
6	Mr. H.S.Beshtoo	AVP	2.40	Bsc-Engg.(Elect.)	40	60	19-Nov-2012	HPSEB-Shimla	Nil	Permanent	No
7	Mr. Brij Mohan	Manager-Accounts	2.07	B.com, PGD,MBA	29	53	8-May-1989	HEG LTD.	Nil	Permanent	No
8	Mr. Gouri S. Sanyal	Manager (Mech)	1.80	Diploma (Mech.)	32	56	27-Sep-2004	S.R. Guha Ent. - Kolkota	Nil	Permanent	No
9	Mr. M.A. Rafiq	Manager (Electrical)	1.79	B Tech (Elect.)	20	37	25-Aug-2001	Steel Builders - Hyderabad	Nil	Permanent	No
10	Mr. Deepak Gupta	Dy. Manager (Accounts)	1.59	BA	26	46	19-Sep-1991	HEG LTD.	Nil	Permanent	No
(B) Names of every employee whose remuneration falls under limit prescribed in Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014											
S. No.	Name of Employee	Designation	Remuneration (in Rs. millions)	Qualification	Experience	Age	Date of Commencement of Employment	Last Employment held at	Shareholding in the Company	Nature of employment	Whether employee is relative of Director
1	Mr. Ravi Jhunjunwala	Chairman & Managing Director	13.66	B. Com (Hons.), MBA	35	60	1-Nov-2001	Promoter Director	Nil	Contractual	No
2	Mr. O.P. Ajmera	President, CEO & CFO	14.16	FCA, ACS	29	54	1-Apr-2004	HEG LTD.	Nil	Permanent	No

ANNEXURE II TO THE DIRECTORS' REPORT**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO REQUIRED UNDER THE COMPANIES (ACCOUNTS) RULES, 2014****(A) Conservation of energy**

- (a) the steps taken or impact on conservation of energy;
- i. Installation of three nos. Variable Frequency Drive (VFDs) in PH on TG Cooling Water pumps.
 - ii. Replacement of conventional lighting with Light Emitting Diodes (LED) in 132kV Switchyard, Street Lighting in Powerhouse complex, residential colony and Barrage complex.
- (b) the steps taken by the Company for utilizing alternate sources of energy: NIL
- (c) the capital investment on energy conservation equipments:
- i) VFD : Rs. 8,65,000/-
 - ii) LED : Rs. 11,05,175
- Total (i+ii) Rs. 19,70,150/- till 31st March 2016.

(B) TECHNOLOGY ABSORPTION

- (i) the efforts made towards technology absorption: NIL
- (ii) the benefits derived like product improvement, cost reduction, product development or import substitution: NIL
- (iii) in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) : NIL
- (a) the details of technology imported;
- (b) the year of import;
- (c) whether the technology been fully absorbed;
- (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof; and
- (iv) the expenditure incurred on Research and Development : Rs. NIL

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**(in Rs. million)**

S.No.	Particulars	2015 -16	2014 -15
I	Foreign Exchange Outgo		
	Traveling & Conveyance	0.302	0.141
	Others	0.22	1.212
	Total	0.522	1.353
II	Foreign Exchange Earnings		
	Others (Sale of Voluntary Emission Rights)	1.631	1.631
	Total	1.631	1.631

ANNEXURE III TO THE DIRECTORS' REPORT

NOMINATION & REMUNERATION POLICY

Pursuant to Section 178 of the Companies Act, 2013 and Rules made thereunder, Malana Power Company Limited is required to constitute a Nomination and Remuneration Committee with atleast three or more non-executive Directors, out of which not less than one half shall be independent directors. The Company already had a Remuneration Committee with three Non Executive Directors. In order to align the same with the provisions of the Companies Act, 2013, and Rules made thereunder from time to time, the Board of Directors at their meeting held on the 16th March, 2015, renamed the "Remuneration Committee" as "Nomination and Remuneration Committee".

The Nomination and Remuneration Committee and its Policy being in compliance with the provisions of Section 178 of the Companies Act, 2013, read with the applicable Rules made thereunder, applies to the Board of Directors, Key Managerial Personnel and the Senior management Personnel of the Company.

1. OBJECTIVE

The Key Objectives of the Committee would be:

- a)** to advise the Board in relation to appointment, appraisal and removal of Directors, Key Managerial Personnel and Senior Management of the Company.
- b)** to evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c)** to recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

2. DEFINITIONS

- (a)** "Act" means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- (b)** "Board" means Board of Directors of the Company.
- (c)** Key Managerial Personnel (KMP), means:
 - i.** Chief Executive Officer or the managing director or the manager;
 - ii.** Company Secretary,
 - iii.** Whole-time Director;

- iv. Chief Financial Officer; and
- v. such other officer as may be prescribed.

(d) Senior Management: Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads.

3. ROLE OF COMMITTEE

The role of the Committee inter alia will be the following:

- a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
- b) to recommend to the Board the appointment and removal of Director or Key Managerial Personnel or Senior Management Personnel.
- c) to carry out evaluation of Director's performance.
- d) assessing the independence of independent directors;
- e) to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- f) making recommendations to the Board on the remuneration/fee payable to the Directors/KMPs/Senior Officials so appointed/re-appointed;
- g) ensure that level and composition of remuneration of Directors, KMP's and Senior Management is reasonable and sufficient. The relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- h) to devise a policy on Board diversity;
- i) to develop a succession plan for the Board and Senior Management and to regularly review the plan;

- j) such other key issues/matters as may be referred by the Board or as may be necessary in view of the provision of the Companies Act, 2013 and Rules made thereunder.

4. MEMBERSHIP

- a) The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.

However, the Chairperson of the Company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee, but shall not chair such Committee.

- b) Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

5. CHAIRMAN

- a) Chairman of the Committee shall be a Non-executive Director.
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- d) Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

6. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

7. COMMITTEE MEMBERS' INTERESTS

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

9. VOTING

- a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. POLICY ON BOARD DIVERSITY

The Nomination and Remuneration Committee shall ensure that Board of Directors have the combination of Directors from different areas /fields or as may be considered appropriate in the best interest of the Company. The Board shall have atleast one Board member who has accounting/ financial management expertise.

11. NOMINATION DUTIES

The duties of the Committee in relation to nomination matters include:

1. Ensuring that there is an appropriate induction & training programme in place for new Directors and members of Senior Management and reviewing its effectiveness;
2. Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013;
3. Determining the appropriate size, diversity and composition of the Board;
4. Follow a formal and transparent procedure for selecting new Directors for appointment to the Board, Key Managerial Personnel's and Senior Management Personnel;
5. Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;

6. Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
7. Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
8. Delegating any of its powers to one or more of its members or the Secretary of the Committee;
9. Considering any other matters as may be requested by the Board;

12. REMUNERATION DUTIES

The Committee will recommend the remuneration/fee to be paid to the Managing Director, Whole-time Director, other Directors, Key Managerial Personnel and Senior Management Personnel to the Board for their approval.

The level and composition of remuneration/fee so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and Senior Management of the quality required to run the Company successfully. The relationship of remuneration/fee to performance should be clear and meet appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

1. Director/ Managing Director

Besides the above Criteria, the Remuneration/ compensation/ commission/fee to be paid to Director/ Managing Director/ Whole Time Director shall be governed as per provisions of the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

2. Non executive Independent Directors

The Non-Executive Independent Director may receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.

3. Key Managerial Personnel's /Senior Management Personnel etc

The Remuneration to be paid to Key Managerial Personnel's/ Senior Management Personnel shall be based on the experience, qualification, performance and expertise of the related personnel and governed by the limits, if any prescribed under the Companies Act, 2013 and Rules made thereunder or any other enactment for the time being in force.

4. Directors' and Officers' Insurance

Where any insurance is taken by the Company on behalf of its Directors, Key Managerial Personnel's/ Senior Management Personnel etc. for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

13. EVALUATION/ ASSESSMENT OF DIRECTORS OF THE COMPANY

The evaluation/assessment of the Directors of the Company is to be conducted on an annual basis.

The following criteria may assist in determining how effective the performances of the Directors have been:

- Contributing to clearly defined corporate objectives & plans
 - Obtain adequate, relevant & timely information from external sources
 - Review of strategic and operational plans, objectives and budgets
 - Regular monitoring of corporate results against projections
 - Identify, monitor & take steps for mitigation of significant corporate risks
 - Assess policies, structures & procedures
 - Review management's succession plan
 - Effective meetings
 - Assuring appropriate board size, composition, independence, structure
 - Clearly defining roles & monitoring activities of committees
- Additionally, for the evaluation/assessment of the performances of Managing Director(s)/Whole Time Director(s) of the Company, following criteria may also be considered:
- Leadership abilities
 - Communication of expectations & concerns clearly with subordinates
 - Direct, monitor & evaluate KMPs, senior officials

Evaluation on the aforesaid parameters will be conducted by the Independent Directors for each of the Executive/Non- Independent Directors in a separate meeting of the Independent Directors.

The Executive Director/Non-Independent Directors along with the Independent Directors will evaluate/assess each of the Independent Directors on the aforesaid parameters. Only the Independent Director being evaluated will not participate in the said evaluation discussion.

14. DISCLOSURE

The Remuneration policy and the evaluation criteria shall be disclosed in the Board's Report.

15. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

16. DEVIATIONS FROM THIS POLICY

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case. However, this shall be subject to the approval of Board of Directors on the recommendation of Nomination and Remuneration Committee of the Company.

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ANNEXURE IV TO THE DIRECTORS' REPORT

**SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED ON 31ST MARCH, 2016**

**[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]**

To
The Members,
Malana Power Company Limited (CIN: U40101HP1997PLC019959)
Himachal Pradesh.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Malana Power Company Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; (**Not applicable to the Company during the Audit period**)
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; (**Not applicable to the Company during the Audit period**)
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment.

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): **(All the following Regulations including amendments, if any, from time to time are not applicable to the Company during the Audit period)**
- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) Other law applicable specifically to the Company, as identified and on the basis of representation given by the management, :
The Electricity Act, 2003.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India. (Notified and effective from 1st July, 2015).
- (ii) The company has not entered into the Listing Agreements with Stock Exchange. **(Not Applicable to the Company during the Audit period)**

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes

in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Normally adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be. There was no dissenting vote for any matter.

I further report that I have relied on the representation made by the Company and its officers for system and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company. Therefore, I am of the opinion that the management has adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period, the Company has undertaken event/action having a bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, etc. referred to above viz.,

1. The company had obtained approval of the members in the annual general meeting held on 29th September, 2015 for authorizing board of directors under Sec 180(1)(a) and Sec 180(1)(c) of the Companies Act, 2013.
2. The Company has undergone through a refinancing wherein the resolution was passed by the board of directors on 19th November, 2015 to avail financial facility from ICICI Bank Limited, IDBI Bank Limited and IDFC Infra Debt Fund Limited.

This report is to be read with my letter of even date which is annexed as **Annexure I** and forms an integral part of this report.

**FOR P. KATHURIA & ASSOCIATES
COMPANY SECRETARIES**

**PLACE: NEW DELHI
DATE: 12/08/2016**

**(PRADEEP KATHURIA)
FCS 4655
CP 3086**

'Annexure I'

To
The Members,
Malana Power Company Limited (CIN: U40101HP1997PLC019959)
Himachal Pradesh

My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. I believe that the processes and practices I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial record and Books of Accounts of the company since the same have been subject to review by Statutory Auditor.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficiency or effectiveness with which the management has conducted the affairs of the company.

**FOR P. KATHURIA & ASSOCIATES
COMPANY SECRETARIES**

**PLACE: NEW DELHI
DATE: 12/08/2016**

**(PRADEEP KATHURIA)
FCS 4655
CP 3086**

ANNEXURE V TO THE DIRECTORS' REPORT**FORM NO. MGT.9****EXTRACT OF ANNUAL RETURN**as on the financial year ended on 31st March, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i)	CIN	U40101HP1997PLC019959
ii)	Registration Date	20-05-1997
iii)	Name of the Company	Malana Power Company Limited
iv)	Category / Sub-Category of the Company	Public Company/ Limited by shares Indian Non Government Company
v)	Address of the registered office and contact details	Village Chauki, Post Office Jari, Kullu-175105, Himachal Pradesh; Phone: 01902-276074;276075
vi)	Whether listed company Yes / No	No
vii)	Name, Address and Contact details of Registrar and Transfer Agent, if any-	MCS Share Transfer Agent Limited, F-65, 1st Floor, Okhla Industrial Area,Phase-I,New Delhi -1100 20 (Ph:- 011-4140 6149)

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products/services	NIC Code of the Product/service	% to total turnover of the company
1	Hydro Power Generation	40101	100

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

S. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY/A SSOCIATE	% of shares held	Applicable Section
1.	Bhilwara Energy Limited	U31101DL2006PLC148862	Holding Company	51%	2(46)
2.	AD Hydro Power Limited	U40101HP2003PLC026108	Subsidiary Company	88%	2(87)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i. CATEGORY-WISE SHARE HOLDING

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a. Individual/HUF	-	50	50	0.000034	-	50	50	0.000034	NIL
b. Central Govt	-	-	-	-	-	-	-	-	NIL
c. State Govt (s)	-	-	-	-	-	-	-	-	-
d. Bodies Corp.	75,238,073	-	75,238,073	50.999966	75,238,073	-	75,238,073	59.999966	NIL
e. Banks / FI	-	-	-	-	-	-	-	-	-
f. Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A) (1):-	75,238,073	50	75,238,123	51.0000001	75,238,073	50	75,238,123	51	NIL
(2) Foreign									
a) NRIs - Individuals	-	-	-	-	-	-	-	-	-
b) Other - Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	72,287,608	72,287,608	48.9999999	-	72,287,608	72,287,608	48.9999999	NIL
d) Banks / FI	-	-	-	-	-	-	-	-	-
e) Any Other....	-	-	-	-	-	-	-	-	-
Sub-total (A) (2):-	-	72,287,608	72,287,608	48.9999999	-	72,287,608	72,287,608	48.9999999	NIL
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	75,238,073	72,287,658	147,525,731	100	75,238,073	72,287,658	147,525,731	100	NIL
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs	-	-	-	-	-	-	-	-	-
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
a) Bodies Corp.	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	-	-	-	-	-	-	-	-	-
ii) Individual shareholders holding nominal capital in excess of Rs 1 Lakh	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	-	-	-	-	-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	75,238,073	72,287,658	147,525,731	100	75,238,073	72,287,658	147,525,731	100	NIL

ii. SHAREHOLDING OF PROMOTERS

S.I. No.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	% change in share holding during the year
1	Bhilwara Energy Limited*	75,238,123	51%	-	75,238,123	51%	-	NIL
2	Statkraft Holding Singapore Pte. Ltd.	72,287,608	49%	-	72,287,608	49%	-	NIL
	Total	147,525,731	100%	-	147,525,731	100%	-	NIL

*NOTE: Out of 75,238,123 Equity shares of Rs.10/- each held by Bhilwara Energy Limited, 50 Equity Shares are held by individuals as registered owners, on behalf of Bhilwara Energy Limited. The Beneficial Interest is with Bhilwara Energy Limited.

iii. CHANGE IN PROMOTERS' SHAREHOLDING (PLEASE SPECIFY, IF THERE IS NO CHANGE)

S.I. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year	-	-	-	-
2	Date wise Increase/ Decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc):	NO CHANGES			
3	At the End of the year	-	-	-	-

iv. SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS AND HOLDERS OF GDRS AND ADRS):

S.I. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year	-	-	-	-
2	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc):	NO CHANGE			
3	At the End of the year (or on the date of separation, if separated during the year)	-	-	-	-

v. SHAREHOLDING OF DIRECTORS AND KEY MANAGERIAL PERSONNEL:

S.I. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
At the beginning of the year					
1	Mr. Ravi Jhunhunwala	-	-	-	-
2	Dr. Kamal Gupta	-	-	-	-
3	Mr. Bidyut Shome	-	-	-	-
4	Mr. Rajinder Pal Goel	-	-	-	-
5	Mr. Lars Espen Ellegard	-	-	-	-
6	Ms. Tima Iyer Utne	-	-	-	-
7	Mr. Tantra Narayan Thakur	-	-	-	-
8	Mr. Om Prakash Ajmera (CEO & CFO)	-	-	-	-
9	Mr. Arvind Gupta (Company Secretary)	-	-	-	-

	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	NO CHANGES			
At the End of the year					
1	Mr. Ravi Jhunjhunwala	-	-	-	-
2	Dr. Kamal Gupta	-	-	-	-
3	Mr. Rajinder Pal Goel	-	-	-	-
4	Mr. Knut Leif Bredo Erichsen	-	-	-	-
5	Ms. Tima Iyer Utne	-	-	-	-
6	Mr. Tantra Narayan Thakur	-	-	-	-
7	Mr. Om Prakash Ajmera (CEO & CFO)	-	-	-	-
8	Mr. Arvind Gupta (Company Secretary)	-	-	-	-

V. INDEBTEDNESS**(Amt. in Crores)**

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	216.00	-	-	216.00
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	216.00	-	-	216.00
Change in Indebtedness during the financial year				
• Addition	6.00	-	-	6.00
• Reduction	(27.00)	-	-	(27.00)
Net Change	(21.00)	-	-	(21.00)
Indebtedness at the end of the financial year				
i) Principal Amount	195.00	-	-	195.00
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	195.00	-	-	195.00

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(Amount in Rs. Million)

S.I. No.	Particulars of Remuneration	Name of Chairman, Managing Director
1	Gross salary	Mr. Ravi Jhunjunwala
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	8.54
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	4.58
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-
2	Stock Option	-
3	Sweat Equity	-
4	Commission	-
	- as % of profit 1.00%	-
	- others, specify	-
5	Others- Gas & Electricity, etc.	0.54
	Total (A)	13.66
	Ceiling as per the Act	10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013.

B. Remuneration to other Directors:

1. Independent Directors				
Sl. No.	Particulars of Remuneration	Name of Directors		Total Amount (In Rs.)
		Dr. Kamal Gupta	Mr. Tantra Narayan Thakur	
1	Fee for attending board & committee meetings	300,000	300,000	600,000
2	Commission	-	-	-
3	Others, please specify	-	-	-
4	Total (1)	300,000	300,000	600,000
2. Other Non-Executive Directors (if any)				
S.I. No.	Particulars of Remuneration	Name of Directors		Total Amount (In Rs.)
		Ms. Tima Iyer Utne	Mr. R. P. Goel	

1	Fee for attending board committee meetings	Nil	Nil	Nil
2	Commission	Nil	Nil	Nil
3	Others, please specify	Nil	Nil	Nil
4	Total (2)	Nil	Nil	Nil

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

S.I. No.	Particulars of Remuneration	Key Managerial Personnel (in Rs. Million)		
		Mr. Om Prakash Ajmera (Chief Financial Officer & Chief Executive Officer)	Mr. Arvind Gupta (Company Secretary)	Total Amount
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	12.49	0.98	13.47
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.39	-	0.39
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961	-	-	-
2	Stock Option	-	-	-
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	- as % of profit	-	-	-
	- others, specify	-	-	-
5	Others, please specify	1.28	0.23	1.51
	Total (A)	14.16	1.21	15.37

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any(give Details)
A. COMPANY					
Penalty			NONE		
Punishment					
Compounding					
B. DIRECTORS					
Penalty			NONE		
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty			NONE		
Punishment					
Compounding					

ANNEXURE VI TO THE DIRECTORS' REPORT**ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR THE FINANCIAL YEAR 2015-16****PART-A**

1.	A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs and the Composition of the CSR Committee.	Refer to Point No. 15(iii) on Corporate Social Responsibility in Director's Report.
2.	Average Net Profit of the Company for last three financial years:	Rs. 122.5 million
3.	Prescribed CSR Expenditure (two percent of the amount as in item 2 above):	Rs. 2.45 million
4.	Details of CSR spent during the financial year 2015-16:	
	a. Total amount to be spent for the financial year 2015-16:	Rs. 2.45 million
	b. Total amount spent during the financial year 2015-16:	Rs. 0.92 million
	c. Amount unspent, if any:	Rs. 1.53 million
	d. Manner in which the amount spent during the financial year:	As detailed below

Manner in which the amount spent during the financial year 2015-16:

(Rs. in Million)

Sl. No.	CSR project or activity identified	Sector in which the Project is covered	Projects or Programs (State and district where projects or programs were undertaken)	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Subheads: 1. Direct expenditure on projects or programs. 2. Overheads:	Cumulative expenditure upto the reporting period (01.04.15 to 31.03.16).	Amount spent: Direct or through implementing agency
1	Providing Teaching aid and honorarium	Promoting education	Local Area (Distt-Kullu, Himachal Pradesh)	0.20	0.18	0.18	Direct
2	Acupressure Health Centre.	Promoting Health care	Local Area (Distt-Kullu, Himachal Pradesh)	0.20	0.19	0.19	Direct
3	Providing Doctor and medicine facilities	Promoting Health care	Local Area (Distt-Kullu, Himachal Pradesh)	0.20	0.11	0.11	Direct
4	Providing facilities to adjoin school	Promoting education	Local Area (Distt-Kullu, Himachal Pradesh)	0.70	0.22	0.22	Direct
5	Sports Meet & Other Associational Activities. (Annual police sports meet, District Boxing championship)	Promoting rural sports	Local Area (Distt-Kullu, Himachal Pradesh)	0.20	0.02	0.02	Direct
6	Miscellaneous Expenditure (Environmental sustainability /tree plantation, Development of local community (Empowering women/awareness program)	Ensuring environmental sustainability	Local Area (Distt-Kullu, Himachal Pradesh)	0.85	0.00	0.00	Direct
7	Donation to Red cross society (to help physically challenged and poor people)	setting up old age homes, daycare centres etc.	Local Area (Distt-Kullu, Himachal Pradesh)	0.10	0.20	0.20	Through Red Cross Society
			TOTAL	2.45	0.92	0.92	

Note: There is no CSR related expenditure under the head 'overheads'.

PART-B

Reason for not spending the entire amount as given in point no. 4(a) of (PART-A) above:

During the financial year 2015-16, the Company was required to spend total amount of Rs. 2.45 million on various CSR activities. However the Company could spend only Rs. 0.92 million on CSR areas covered under the Companies Act, 2013 and Rules made thereunder.

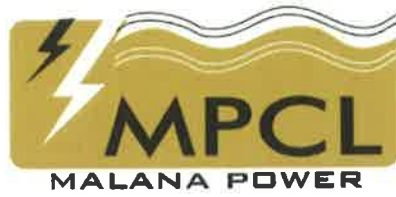
The amount of Rs.1.53 million could not be spent because in the time available for doing CSR activities, the Company could not identify any other long term project for spending the full budgeted amount judiciously during the year.

RESPONSIBILITY STATEMENT

The Responsibility Statement of the Corporate Social Responsibility Committee of the Board of Directors of the Company, is reproduced below:

The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR objectives and policy of the Company.

(Ravi Jhunjhunwala)
Chairman & Managing Director
Chairman, CSR Committee
(DIN 00060972)
ADDRESS: BHILWARA TOWERS, A-12
SECTOR-1, NOIDA-201301



MALANA POWER COMPANY LIMITED

CIN No. : U40101HP1997PLC019959

Financial Statement

2015 - 16

31st, March 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Malana Power Company Limited

Report on the Financial Statements

We have audited the accompanying standalone financial statements of Malana Power Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

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



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of the state of affairs of the Company as at March 31, 2016, its profit, and its cash flows for the year ended on that date.

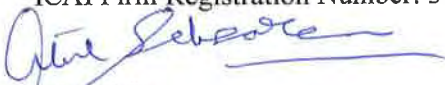
Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 26, 30 and 31 to the financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per **Atul Seksaria**

Partner

Membership Number: 86370

Place: **NOIDA**

Date: **2 MAY 2016**



Annexure 1 referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: Malana Power Company Limited (the Company)

- (i)(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to information and explanations given by the management the title deeds of immovable properties included infixed assets are held in the name of the company. These title deeds have been given as security (mortgage and charge) against the term loans taken from banks and accordingly the original title deeds are kept with the Security Trustee- IDBI Trusteeship Services Limited, as security for the lenders.
- (ii) The management has conducted physical verification of inventory at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) (a) The Company has granted loan to its subsidiary company (i.e. AD Hydro Power Limited – ADHPL where it holds 88% in share capital and thus has substantial interest) covered in the register maintained under section 189 of the Companies Act, 2013. In our opinion and according to the information and explanations given to us, the terms and conditions of the loan are not prima facie prejudicial to the Company’s interest.
- (b) As informed to us and as per the terms of subordinated Loan agreement between the Company and ADHPL, the loan granted and interest thereon is repayable only once all obligations to the senior lenders have been paid and discharged in full. Accordingly, the Company has not demanded repayment of any such loan and interest thereon during the year and there has been no default on the part of the parties to whom the money has been lent.
- (c) There is no amounts of loans granted to companies, firms or other parties listed in the register maintained under section 189 of the Companies Act, 2013 which are outstanding for more than ninety days.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) 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 148(1) of the Companies Act, 2013, related to generation of electricity from hydro-electric power, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- (vii)(a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, service tax, customs duty, value added tax, cess and other material statutory dues applicable to it. The provisions relating to employees’ state insurance and excise duty are not applicable to the Company. According to the information and explanations given to us, no such statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.



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Chartered Accountants

- (b) According to the records of the Company, the dues outstanding of income tax on account of any dispute, are as follows.

Name of the Statute	Nature of the Dues	Amount (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of expenses under Section 14A	15.85*	Assessment Year 2008-09	Income Tax Appellate Tribunal, New Delhi
Income Tax Act, 1961	Disallowance of expenses under Section 14A, excess disallowance claimed u/s 80IA and disallowance of common expenses.	34.07*	Assessment Year 2009-10	Income Tax Appellate Tribunal, New Delhi
Income Tax Act, 1961	Disallowance of expenses under Section 14A, excess disallowance claimed u/s 80IA	68.75	Assessment Year 2011-12	Income Tax Appellate Tribunal, New Delhi
Income Tax Act, 1961	Disallowance of expenses under Section 14A, excess disallowance claimed u/s 80IA	38.70	Assessment Year 2012-13	CIT (Appeals), New Delhi
Income Tax Act, 1961	Disallowance of expenses under Section 14A, excess disallowance claimed u/s 80IA	71.19	Assessment Year 2013-14	CIT (Appeals), New Delhi

* Though, these demands have been adjusted by the Assessing Officer against refunds for subsequent assessment years, the Company has not contested the same.

- (viii) In our opinion and according to information and explanations given by the management, the Company has not defaulted in repayment of dues to a financial institution or banks. The Company did not have any outstanding dues in respect of debentures during the year.
- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer / further public offer/debt instruments. Further, in our opinion and according to the information and explanations given by the management, that the Company has utilized the monies raised by way of term loans for the purposes for which they were raised.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no material fraud on the company by the officers and employees of the Company has been noticed or reported during the year.



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- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005


per **Atul Seksaria**

Partner

Membership Number: 86370



Place : **NOIDA**

Date: **2 MAY 2016**

ANNEXURE 2 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF MALANA POWER COMPANY LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Malana Power Company Limited

We have audited the internal financial controls over financial reporting of Malana Power Company Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of



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unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & CO. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E /E300005

per **Atul Seksaria**
Partner
Membership Number: 86370



Place: **NOIDA**
Date: **2 MAY 2016**

Malana Power Company Limited
Balance Sheet as at March 31, 2016

	Notes	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Equity and liabilities			
Shareholders' funds			
(a) Share capital	3	14,752.57	14,752.57
(b) Reserves and surplus	4	85,965.40	80,877.22
		<u>100,717.97</u>	<u>95,629.79</u>
Non-current liabilities			
(a) Long-term borrowings	5	19,063.20	18,900.00
(b) Deferred tax liabilities	6	3,402.10	3,132.78
(c) Long-term provisions	7	68.20	71.77
		<u>22,533.50</u>	<u>22,104.55</u>
Current liabilities			
(a) Trade payables (other than micro enterprises and small enterprises)	8	417.30	187.04
(b) Other current liabilities	8	511.70	2,775.56
(c) Short-term provisions	7	96.77	168.07
		<u>1,025.77</u>	<u>3,130.67</u>
TOTAL		<u><u>124,277.24</u></u>	<u><u>120,865.01</u></u>
Assets			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	12,574.05	12,970.02
(ii) Intangible assets	9	0.96	0.96
(b) Non-current investments	10	49,295.56	49,295.56
(c) Loans and advances	11	49,944.99	49,618.87
(d) Other non-current assets	12	11,573.76	7,482.14
		<u>123,389.32</u>	<u>119,367.55</u>
Current assets			
(a) Inventories	13	217.05	248.34
(b) Trade receivables	14	466.03	73.82
(c) Cash and bank balances	15	82.83	1,103.18
(d) Loans and advances	11	118.52	70.82
(e) Other current assets	16	3.49	1.30
		<u>887.92</u>	<u>1,497.46</u>
TOTAL		<u><u>124,277.24</u></u>	<u><u>120,865.01</u></u>

Summary of significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. Batliboi & Co. LLP

ICAI Firm Registration Number: 301003E/E300005

Chartered Accountants

per Atul Seksaria
Partner

Membership No. : 86370

Place : NOIDA

Date : 2 May 2016



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

Ravi Jhunjhunwala
Chairman and Managing Director
DIN:-

O.P. Ajmera
CEO and CFO

Place : NOIDA
Date : 2 MAY 2016

Tima Iyer Utne
Director
DIN:-06839949

Arvind Gupta
Company Secretary
M.No.:-F7690



Malana Power Company Limited
Statement of Profit & Loss for the year ended March 31, 2016

	Notes	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Income			
Revenue from operations (net)	17	7,918.76	8,677.12
Other Income	18	5,727.82	139.68
Total Revenue		13,646.58	8,816.80
Expenses			
Wheeling Cost		272.10	317.55
Open access charges		300.07	367.63
Employee benefits expense	19	869.59	808.46
Other expenses	20	811.18	1,208.55
Depreciation and amortisation expense	21	423.05	1,091.27
Finance costs	22	2,458.47	2,681.80
Exceptional items	39	2,124.00	-
Total expenses		7,258.46	6,475.26
Profit / (Loss) before tax		6,388.12	2,341.54
Tax expense			
Current tax (Minimum Alternate Tax)		1,363.33	521.01
Less : MAT Credit Entitlement		(332.71)	-
Deferred tax		269.32	935.70
Total tax expense		1,299.94	1,456.71
Profit/ (Loss) for the year		5,088.18	884.83
Earnings per equity share [nominal value of share Rs.10 (31 March 2015:Rs.10)]			
Basic and diluted	23	3.45	0.60

Summary of significant accounting policies 2.1
The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. Batliboi & Co. LLP
ICAI Firm Registration Number: 301003E/E300005

Chartered Accountants

per Atul Seksaria
Partner

Membership No. : 86370



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

Ravi Jhunjhunwala
Chairman and Managing Director
DIN:-
00060972

Tina Iyer Ume
Director
DIN:-06839949

Place : NOIDA
Date : 2 MAY 2016

G.P. Ajmera
CEO and CFO

Arvind Gupta
Company Secretary
M.No.:-F7690

Place : NOIDA
Date : 2 MAY 2016



Malana Power Company Limited
Cash flow statement for the year ended March 31, 2016

	March 31, 2016 Rs. in lacs	March 31, 2015 Rs. in lacs
Cash flow from operating activities		
Profit before tax	6,388.12	2,341.54
Adjustments to reconcile PBT to net Cash flows		
Depreciation	423.05	1,091.27
Loss / (Profit) on sale of fixed assets	(4.86)	(7.66)
Interest expense	2,216.00	2,587.78
Provision for doubtful advances	-	144.13
Interest income	(99.07)	(102.73)
Surrender value of keyman insurance policy	-	(2.23)
Operating profit before working capital changes	8,923.24	6,052.10
Movement in working capital :		
- (Increase)/decrease in trade receivables	(392.21)	(13.70)
- (Increase)/decrease in loans and advances	229.69	13.01
- (Increase)/decrease in other current assets	(2.19)	(0.05)
- (Increase)/decrease in inventories	31.29	(10.80)
- (Decrease)/increase in current liability	(4,030.37)	26.55
- (Decrease)/increase in trade payable	230.26	18.86
- (Decrease)/increase in provision	(15.66)	10.24
Cash generated from operations	4,974.05	6,096.21
Direct tax paid (net of refund)	1,755.25	412.60
Net cash flow from / (used in) operating activities (A)	3,218.80	5,683.61
Cash flow from investing activities		
Purchase of fixed assets (including capital work in progress)	(36.33)	(24.10)
Proceeds from sale of fixed assets	14.11	8.69
Interest received	99.07	102.73
Fixed deposit placed	-	(4.30)
Net cash flow from / (used in) investing activities (B)	76.85	83.02
Cash flow from financing activities		
Repayment of long term loan	(2,700.00)	(2,700.00)
Proceeds from long -term borrowings	600.00	-
Interest paid	(2,216.00)	(2,587.78)
Net cash from / (used in) financing activities (C)	(4,316.00)	(5,287.78)
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	(1,020.35)	478.85
Cash and cash equivalents at the beginning of the year	1,071.00	592.15
Cash and cash equivalents at the end of the year	50.65	1,071.00
Components of cash and cash equivalents		
Cash on hand	2.02	4.37
Deposits with original maturity of less than 3 months	-	800.00
With banks - on current account	48.63	266.63
Total cash & cash equivalents (Note no. 15)	50.65	1,071.00

Summary of significant accounting policies 2.1

The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" of the Companies (Accounts) Rules, 2014

As per our report of even date
For S. R. Batliboi & Co. LLP
Firm Registration Number: 301003E/E300005
Chartered Accountants

per Atul Seksaria
Partner
Membership No. : 86370



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

Ravi Jhunjhunwala
Chairman and Managing Director
DIN:-00060972

Tima Iyer Utne
Director
DIN:-06839949

O.P. Ajmera
CEO and CFO

Arvind Gupta
Company Secretary
M.No.:-F7690

Place : NOIDA
Date : 2 MAY 2016

Place : NOIDA
Date : 2 MAY 2016



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

1. Corporate Information

Malana Power Company Limited (hereinafter referred to as 'the Company') is engaged in the generation of hydro electric power and development of hydro power projects. The Company has the necessary permission from the Government of Himachal Pradesh to own, operate & maintain the project and sell power for a period of forty years from the date of commercial operation i.e. July 5, 2001 with the option to avail a further extension for a maximum period of twenty years after renegotiation of terms and conditions..

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on an accrual basis and under the historical cost convention.

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

2.1 Summary of Significant Accounting Policies

(a) Use of estimates

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

(b) Tangible Fixed Assets

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

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

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

(c) Depreciation / Amortization on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives prescribed under Schedule II of the Companies Act 2013.. The Company has used the following rates to provide depreciation on its fixed assets.



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

	<u>Useful life (Years)</u>
Buildings other than factory buildings	60
Plant and Machinery used in generation, transmission and distribution of power	40
Civil Work	40
Factory Buildings	30
Plant and Machinery	15
Electrical Installations	10
Furniture and Fixtures	10
Roads	10
Vehicles	8
Computers and Data processing equipments	3-6
Office equipments	5
Software	3

The depreciation was provided in accordance with the Schedule II to the Companies Act, 2013.

(d) Impairment of assets

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

(e) Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life of 3 to 5 years.

The intangible assets are assessed for impairment whenever there is indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year end.

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

(f) Borrowing Costs

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

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



(g) Leases

Where the Company is the lessee

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

(h) Investment

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

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

(i) Inventories

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

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

(j) Revenue Recognition

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

Sale of Electricity

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

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Interest Income is included under the head 'Other Income' in the Statement of P&L.

Voluntary emission rights (VER)

Revenue is recognized as and when the VER's are certified and ultimate collections are made for the same.

(k) Foreign currency translation

Foreign currency transactions and balances

Initial Recognition

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

Conversion

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



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

Exchange Differences

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

(l) Retirement and other employee benefits

- (i) Retirement benefits in the form of Provident Fund and superannuation scheme are a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the provident fund/trust.
- (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- (iii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the year-end.
- (iv) The Company presents its gratuity and leave as current and non-current based on the actuarial valuation.
- (v) Actuarial gains / losses are immediately taken to statement of profit and loss in the period in which they incur and are not deferred.

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of earlier years.

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

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

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

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

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

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

Earnings Per Share

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

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

(n) Provisions

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

(o) Cash and Cash equivalents

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

(p) Contingent Liability

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



3. Share Capital

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Authorized Shares 160,000,000 (previous year 160,000,000) equity shares of Rs 10 each	16,000.00	16,000.00
Issued, Subscribed and fully paid-up shares 147,525,731 (previous year 147,525,731) equity shares of Rs 10 each fully paid	14,752.57	14,752.57

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

	March 31, 2016		March 31, 2015	
	No. of shares	Amount (Rupees in lacs)	No. of shares	Amount (Rupees in lacs)
Shares outstanding at the beginning of the year	147,525,731	14,752.57	147,525,731	14,752.57
Shares Issued during the year	-	-	-	-
Shares outstanding at the end of the year	147,525,731	14,752.57	147,525,731	14,752.57

(b) Terms/rights attached to equity shares

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

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

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

	March 31, 2016		March 31, 2015	
	No. of shares	Amount (Rupees in lacs)	No. of shares	Amount (Rupees in lacs)
Bhilwara Energy Limited, the holding company	75,238,123	7,523.80	75,238,123	7,523.80

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

Equity shares of Rs. 10 each fully paid up	March 31, 2016		March 31, 2015	
	No. of shares	% Holding	No. of shares	% Holding
Name of the Share Holders				
Bhilwara Energy Limited	75,238,123	51.00%	75,238,123	51.00%
Stakraff Holding Singapore Pte Limited (earlier known as SN Power Holding Singapore Pte Limited)	72,287,608	49.00%	72,287,608	49.00%

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

4. Reserves & surplus

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Securities premium account	32,545.67	32,545.67
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	48,331.55	47,446.72
Add: profit/(loss) for the year	5,088.18	884.83
Net surplus in the statement of profit and loss	53,419.73	48,331.55
Total reserves and surplus	85,965.40	80,877.22



5 Long term borrowings

	Non Current Position		Current Maturities	
	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Term loans				
Indian rupee loan from banks (secured)	19,063.20	18,900.00	436.80	2,700.00
TOTAL	19,063.20	18,900.00	436.80	2,700.00
The above amount includes				
Secured Borrowings	19,063.20	18,900.00	436.80	2,700.00
Amount disclosed under the head "other current liabilities" (refer note 8)	-	-	(436.80)	(2,700.00)
	19,063.20	18,900.00	-	-

The Company has taken Indian Rupee term loans from IDBI Bank Rs 8,600 lacs (previous year Rs 16,000 lacs)

The Company has re-structured existing loan and reduced exposure to Rs 8,600 lacs carrying interest at base rate plus 0.90% i.e. currently @ 10.65% per annum (previous year 11.50% per annum) secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis. This loan repayable in structured 54 quarterly installments commencing from 30th June 2016 and ending on 30th September 2029.

The Company has taken Indian Rupee term loans from ICICI Bank Rs 6,000 lacs (previous year Rs NIL) carrying interest at base rate plus 1.30% currently @ 10.65% per annum (previous year 11.50% per annum) secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis. This loan repayable in structured 54 quarterly installments commencing from 30th June 2016 and ending on 30th September 2029.

The Company has taken Indian Rupee term loans from IDFC Infra Debt FIs Rs 4,900 lacs (previous year Rs NIL) carrying interest at base rate plus 1.35% currently @ 10.65% per annum (previous year NIL) per annum secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis repayable in structured 54 quarterly installments commencing from 30th June 2016 and ending on 30th September 2029.

6. Deferred tax liabilities

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	3,394.96	3,125.64
Others	7.14	7.14
Deferred tax liabilities	3,402.10	3,132.78

7. Provisions

	Long-term		Short-term	
	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Provision for employee benefits				
Provision for gratuity (refer note 33)	-	-	17.61	25.04
Provision for leave benefits	68.20	71.77	1.54	6.20
TOTAL	68.20	71.77	19.15	31.24
Other Provision				
Provision for income tax (net of advance tax of Rs 3,848.12 lacs)	-	-	77.62	136.83
TOTAL	68.20	71.77	96.77	168.07

8. Trade Payables and Other current liabilities

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Trade payables	417.30	187.04
Other current liabilities		
Current maturities of long term borrowings (refer note 5)	436.80	2,700.00
Sundry deposits	29.17	27.70
Statutory dues payable	45.73	47.86
TOTAL	511.70	2,775.56



9. Tangible and Intangible assets

	(Rupees in lacs)									
	Gross Block					Depreciation/amortisation			Net Block	
	As at Apr 01, 2015	Additions	Deletions/ Adjustments	As at Mar 31, 2016	As at Apr 01, 2015	Additions	Deletions/ Adjustments	As at Mar 31, 2016	As at Mar 31, 2015	
(i) Tangible Assets										
Civil Work	18,427.27	-	-	18,427.27	11,285.01	237.40	-	11,522.41	6,904.86	7,142.26
Freehold Building and Roads	3,258.51	-	-	3,258.51	1,692.79	33.96	-	1,726.75	1,531.76	1,565.72
Computers	52.63	-	1.72	50.91	47.92	1.44	1.69	47.67	3.24	4.71
Electric Installations	151.87	3.51	-	155.38	137.13	1.43	-	138.56	16.82	14.74
Freehold Land	213.36	-	-	213.36	-	-	-	-	213.36	213.36
Furniture and Fixtures	47.17	0.10	5.90	41.37	38.84	1.32	3.56	36.60	4.77	8.33
Office Equipments	49.17	3.89	-	53.06	39.34	6.62	-	45.96	7.10	9.83
Plant & Machinery	9,379.86	-	-	9,379.86	6,040.64	113.62	-	6,154.26	3,225.60	3,339.22
Transmission Line	1,996.71	-	-	1,996.71	1,354.03	20.71	-	1,374.74	621.97	642.68
Vehicles	108.94	28.83	39.64	98.13	79.77	6.55	32.76	53.56	44.57	29.17
Total	33,685.49	36.33	47.26	33,674.56	20,715.47	423.05	38.01	21,100.51	12,574.05	12,970.02
(ii) Intangible Assets										
Software	59.29	-	-	59.29	58.33	-	-	58.33	0.96	0.96
Total	59.29	-	-	59.29	58.33	-	-	58.33	0.96	0.96
Grand Total	33,744.78	36.33	47.26	33,733.85	20,773.80	423.05	38.01	21,158.84	12,575.01	12,970.98

Notes :

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



10. Non current investments

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Trade Investments (valued at cost unless stated otherwise)		
Unquoted equity instruments		
Investment in subsidiary (refer note 28)	49,295.56	49,295.56
492,955,640 (Previous year 492,955,640) 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)		
TOTAL	49,295.56	49,295.56

11. Loans and advances

(Unsecured, considered good unless otherwise stated)	Non Current Position		Current Maturities	
	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Capital advances				
Advance for Bara Banghal project [including Rs 681.88 lacs (Previous year Rs 681.88 lacs) towards consultancy and other expenses on the project] (Unsecured, considered doubtful) (Refer note 30)	6,801.84	6,801.89	-	-
Less : Provision against upfront premium/other expenditure for Bara Banghal Project	(3,741.84)	(3,741.84)	-	-
Security deposits	30.05	30.05	-	-
Advances recoverable in cash and kind	-	-	107.20	59.50
Loans & advance to subsidiary company (Refer note 28 & 32)	46,380.00	46,380.00	-	-
Other loans & advances Unsecured, considered good				
Advance tax (net of provision of Rs 4,736.77 lacs)	142.19	142.19	-	-
MAT credit entitlement	332.71	-	-	-
Loans to employees	0.04	6.58	11.32	11.32
TOTAL	49,944.99	49,618.87	118.52	70.82

12. Other non current assets

(Unsecured, considered good unless stated otherwise)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Interest accrued on loan given to subsidiary company	11,552.75	7,461.13
Surrender value of keyman insurance policy	21.01	21.01
TOTAL	11,573.76	7,482.14

13. Inventories

(valued at lower of cost and net realisable value)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Stores and spares [including material lying with third parties Rs 0.22 (previous year Rs. Nil)]	217.05	248.34
TOTAL	217.05	248.34

14. Trade receivables (Current)

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Unsecured, considered good unless stated otherwise		
Outstanding for a period exceeding six months from the date they are due for payment	-	-
Other receivables	466.03	73.82
TOTAL	466.03	73.82

15. Cash and bank balances

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Cash and cash equivalents		
Balances with banks in:		
- Current accounts	48.63	266.63
Deposits with original maturity for less than 3 months	-	800.00
Cash on hand	2.02	4.37
	50.65	1,071.00
Other bank balances		
Margin money deposit (held as security)	30.18	30.18
Deposits with original maturity for more than 3 months but less than 12 months	2.00	2.00
	32.18	32.18
TOTAL	82.83	1,103.18

Fixed Deposits of Rs 2.00 lacs (previous year Rs 2.00 lacs) pledged with Him Government Sales Tax Department



16. Other current assets

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Interest accrued on banks deposits	3.49	1.30
TOTAL	3.49	1.30

17. Revenue from operations

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Revenue from operations		
Sale of power	7,858.57	8,928.42
Revenue from operations (gross)	7,858.57	8,928.42
Less : Discount on prompt payments	74.23	94.16
Less : Handling charges	-	73.70
Less : Unscheduled interchange charges	(51.39)	69.42
Less : Professional charges	16.42	14.02
Other operating income		
Transmission charges received	99.45	-
Revenue from operations (Net)	7,918.76	8,677.12

18. Other income

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Interest on bank deposits	101.26	102.68
Interest on sub debt	5,101.80	-
Interest other	20.58	-
Sale of voluntary emission reductions (VER)	16.31	16.31
Surrender value of keyman insurance policy	-	2.23
Transmission Charges	354.35	-
STU Charges	102.03	-
Profit on fixed assets sold/discarded	4.86	7.66
Miscellaneous income	26.63	10.80
TOTAL	5,727.82	139.68

19. Employee benefits expenses

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Salaries, wages and bonus	634.87	583.84
Director's remuneration	136.52	130.53
Contribution to provident and other funds	40.85	36.60
Gratuity expenses	17.61	25.04
Workmen and staff welfare expenses	39.74	32.45
TOTAL	869.59	808.46

20. Other expenses

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Rent	35.83	39.20
Power and fuel	46.63	48.20
Repair and maintenance		
- Buildings	6.24	5.86
- Plant and machinery	236.70	324.92
- Others	12.38	19.95
Rates and taxes	0.12	2.08
Insurance	139.72	144.79
Payment to auditor	19.39	17.78
Communication costs	17.41	20.25
Printing and stationery	4.81	5.73
Travelling and conveyance	74.81	68.43
Membership fees and subscriptions	2.94	11.97
Legal and professional fees	100.77	120.25
Provision for doubtful advances	-	144.13
Social welfare expenses	10.75	58.95
CSR expenses (Refer note 38)	9.17	5.15
Miscellaneous expenses	93.51	170.91
TOTAL	811.18	1,208.55

Payment to Auditor

As auditor:		
- Audit fee	11.45	11.40
- Fees for consolidation	1.15	1.14
- Fees for international reporting	4.58	4.56
In other capacity		
- Fees for other services	0.74	-
- Out of pocket expenses	1.47	0.68
TOTAL	19.39	17.78



21. Depreciation and amortisation expenses

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Depreciation on tangible assets	423.05	1,088.21
Amortization of Intangible assets	-	3.06
TOTAL	423.05	1,091.27

22. Finance cost

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Interest and other finance costs		
- on term loans from banks and financial institutions	2,216.00	2,587.78
Upfront fees and loan processing charges	178.53	-
Other bank charges	63.94	94.02
TOTAL	2,458.47	2,681.80

23. Earning / (Loss) per share (EPS)

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
The following reflects the profit and share data used in the basic and diluted EPS computations:		
Profit/loss after tax as per statement of profit and loss	5,088.18	884.83
Weighted average number of equity shares in calculating basic and diluted EPS	1,475.26	1,475.26
Basic and diluted earnings per share in Rupees (face value of Rs 10)	3.45	0.60



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

24. Segment Reporting

The Company's activities during the year involved generation of the hydro power (Refer Note 1). Considering the nature of Company's business and operations, there are no separate reportable segments (business and/ or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting' issued by the Companies (Accounts) Rules, 2014 and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.

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

26. Contingent Liabilities

- (a) Guarantees
(Rs. in lacs)

Particulars	As at March 31,2016	As at March 31, 2015
Guarantees:- The Company has provided Corporate/Default Guarantee to FIs/Banks for the loans extended by them to AD Hydro Power Limited (subsidiary company)		
1. The amount of outstanding loans covered by such guarantees	72,594.14	80,390.79
2. Under the terms of the said guarantee the maximum amount for which the company may be contingently liable during the next 12 months	4,567.15	8,000.00

- (b) In respect of assessment year 2008-09, the Assessing Officer had disallowed certain proportion of the expenses as expenses incurred towards the exempt income under Section 14A and other expenses under the Income Tax Act, 1961 and raised a demand of Rs. 15.85 lacs. In response to appeal filed by the Company, part relief has been granted by the Commissioner of Income Tax (Appeals). No demands are pending as on date, as the company has paid tax under MAT provisions. Income tax department and the Company have preferred further appeal before the ITAT, New Delhi, against which orders are yet to be received.
- (c) In respect of assessment year 2009-10, 2010-11 and 2011-12, the Assessing Officer/s had disallowed certain proportion of the expenses as expenses incurred towards the exempt income under Section 14A, and denied the claim of the company to treat the income from carbon credit as capital receipt not subject to tax and raised a demand of Rs. 34.07lacs, Nil and Rs.68.75 lacs, respectively. In response to appeal filed by the Company, part relief has been granted by the Commissioner of Income Tax (Appeals). No demands are pending as on date, as the company has paid tax under MAT provisions. Income tax department and the Company have preferred further appeal before the ITAT, New Delhi, which is pending for hearing/ orders.
- (d) In respect of assessment year 2012-13 and 2013-14, , the Assessing Officer/s had disallowed certain proportion of the expenses as expenses incurred towards the exempt income under Section 14A, deduction under Section 80IA and other expenses under the Income Tax Act, 1961 and raised a demand of Rs.38.70 lacs and Rs.71.19 lacs. The company has preferred further appeal before the CIT Appeals which is pending for hearing/ final orders.
- (e) Wheeling charges claimed by Himachal Pradesh State Electricity Board not acknowledge as debt amounting to Rs 1,011.74lacs to wheel or transfer energy from Bajaura sub station to 400 kV substation of Powergrid Corporation of India(Powergrid) limited at Nalagarh (i.e. interstate point)
- (f) During the financial year 2014-15, Government of Himachal Pradesh has taken a decision to charges lease amount for the diverted forest land retrospectively vide demand order dated August 27, 2014 against 61 hectares of duly diverted forest land, towards the lease money for the period from July 19, 1999 to July 18, 2014, for a sum of Rs.1,385.41lacs . Further, it directed company to pay lease money of Rs. 1677.50lacs per annum form July 19, 2014 which is subject to an increase of 5% of total lease amount after every 5 years. Based on the above the total lease rent demand as on March 31, 2016 works out to be Rs. 4,217.05lacs.

The company has filed a writ petition before Hon'ble High Court of Himachal Pradesh which has granted stay on demand. Pending decision of the High Court, no additional provision has been deemed necessary in the financial statements in this regard



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

Based on expert inputs, management believes that these demand and any possible demand for other assessment years to be raised by Income Tax Authorities on similar grounds, is unlikely to crystallize and there is a fair chance of decision in its favor.

27. Other commitments

- a) Malana Power Company Limited has entered into agreement with Himachal Pradesh State Electricity Board (HPSEB) to wheel or transfer energy from Bajaura sub station to 400 kV substation of Powergrid Corporation of India(Powergrid) limited at Nalagarh (i.e. interstate point). The company has agreed to pay wheeling charges. This, being firm commitment, is recognized as an expense, on receipt of monthly bills from HPSEB under the head 'Wheeling Charges' in the statement of profit and loss.
- b) At March 31, 2016, the Company has committed for non-disposal of its investment in subsidiary AD Hydro Power Limited to its lenders (similar commitment was there in the previous year also).



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MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

28. Related Party Disclosures

(a) Names of related parties where control exists and with whom transactions have taken place during the year.

Holding Company	Bhilwara Energy Limited
Subsidiary Company	AD Hydro Power Limited
Enterprises having significant influence over the Company	Statkraft Holding Singapore PTE Limited (Formerly SN Power Holding Singapore Pte Ltd. Singapore)
Fellow Subsidiary Companies	Indo Canadian Consultancy Services Limited,
Key Management Personnel	Mr. Ravi Jhunjunwala, Chairman & Managing Director
Relatives of key management personnel	Mrs. Rita Jhunjunwala (wife of the Chairman & Managing Director) 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

Additional related parties as per Companies Act, 2013 with whom transactions have taken place during the year

CEO and CFO	Mr. O.P Ajmera
Company Secretary	Mr. Arvind Gupta



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MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

(b) Transaction with related parties

(Rupees in lacs)

Transaction with related parties Nature of Transaction	Holding Company/ Enterprises having significant influence over the Company		Subsidiary/Fellow subsidiary Company		Key Management Personnel *		Relative of Key Management Personnel		Enterprise over which key management personnel /relative having significant influence	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Transactions during the year										
Rent										
a) Mrs. Ritahumjunwala	-	-	-	-	-	-	18.15	17.43	-	-
b) Mr. RishabhJhurjunwala	-	-	-	-	-	-	17.61	16.92	-	-
c) Mr. RijuJhurjunwala	-	-	-	-	-	-	17.61	16.92	-	-
d) RSWM Limited	-	-	-	-	-	-	-	-	35.80	35.32
Consultancy service charges paid to Indo Canadian Consultancy Services Limited	-	-	15.83	56.97	-	-	-	-	-	-
Remuneration paid to Mr. Ravi Jhurjunwala,	-	-	-	-	136.14	130.53	-	-	-	-
Remuneration paid to Mr. O.P.Ajmera	-	-	-	-	141.64	121.60	-	-	-	-
Remuneration paid to Mr. Arvind Gupta	-	-	-	-	12.13	7.12	-	-	-	-
Reimbursement of expenses paid to HEG Limited	-	-	-	-	-	-	-	-	5.76	5.14
Reimbursement of expenses paid to RSWM Limited	-	-	-	-	-	-	-	-	18.67	19.11
Reimbursement of expenses paid to Bhilwara Energy Limited	4.10	2.39	-	-	-	-	-	-	-	-
Reimbursement of expenses recovered from Bhilwara Energy Limited	47.10	74.32	-	-	-	-	-	-	-	-



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

Nature of Transaction	Holding Company/ Enterprises having significant influence over the Company	Subsidiary/Fellow subsidiary Company	Key Management Personnel *	Relative of Key Management Personnel	Enterprise over which key management personnel / relative having significant influence
Reimbursement of expenses paid to Indo Canadian Consultancy Services Limited	-	0.02	-	-	-
Business Support given by Bhilwara Energy Limited for execution of AD Hydro HEP	2,123.98	-	-	-	-
Reimbursement of expenses paid to AD Hydro Power Limited	-	1.78	-	-	-
Reimbursement of expenses recovered from AD Hydro Power Limited	-	0.26	-	-	-
Interest on unsecured loan given to AD Hydro Power Limited	-	5,101.80	-	-	-
Balances outstanding as at the year end					
Balances Receivable:					
Receivable from Bhilwara Energy Limited	1.00	-	-	-	-
Statkraft Markets Private Limited	0.39	0.40	-	-	-
Investment in AD Hydro Power Limited	-	49,295.56	-	-	-
Unsecured Loan recoverable from AD Hydro Power Limited	-	46,380.00	-	-	-
Interest amount recoverable on Unsecured Loan	-	11,552.75	-	-	-
Balances Payable:					
Payable to HEG Limited	-	-	-	-	5.76
Payable to RSWM Limited	-	-	-	-	-
Guarantees given by the Company on behalf of AD Hydro Power Limited	-	4,567.15**	-	-	10.22
	-	8,000.00**	-	-	-

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

**The Company has also given default corporate guarantee for loan availed by AD Hydro Power Limited, subsidiary company, from IL&FS Infrastructure Debt Fund (IDF) in respect of debentures(refer note 26)



29. Leases**In case of assets taken on Operating Lease:**

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

Particulars	(Rs in lacs)	
	March 31, 2016	March 31, 2015
Lease payments for the year	35.80	35.32

30. In respect of 200 MW Bara Banghal project in state of HP for which the Company had bid and paid an upfront premium of Rs. 6,120 lacs, the Company has decided to shelve off the same as the State Hydro Power Policy is not aligned with MOEF Policy of GOI which prohibits the implementation of a hydro power project in wild life /eco sensitive zone areas. In view of this, the Company has filed a full amount refund claim along with interest. The provision of 50% of Rs. 3,060 lacs recorded in the earlier years shall be written back at the time of acceptance of refund.
31. The Company has filed a Petition with CERC on 06.11.2014 for recovery of excess UI and handling charges, claiming that they have been wrongly charged by HPSEBL bearing number 449/MP/2014. Company has estimated an amount of recovery of Rs.863.90lacs approximately towards excess UI and Rs. 517.6 lacs towards handling charges. The same would be accounted for after the issue of the final order.
32. In respect of the unsecured loan of Rs.46,380.00 lacs (sub-debt) to the subsidiary company, AD Hydro Power Limited given in the earlier years, the Company has decided to restart charging interest from this year as the operations of the subsidiary Company have become profitable.

33. Gratuity (AS 15- Revised)

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

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

Net employee benefits expense (recognised in Employee Cost):
(Rs. in lacs)

Particulars	March 31, 2016	March 31, 2015
Current Service Cost	9.83	10.18
Interest cost on benefit obligation	11.41	9.52
Expected return on plan assets	(9.78)	(7.06)
Net actuarial (gain)/ loss recognised in the year	6.14	12.39
	17.61	25.04
Net benefit expense		
Actual return on plan assets	(9.16)	(16.15)



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

Details of Provision for Gratuity:

(Rs. in lacs)

Particulars	March 31, 2016	March 31, 2015
Defined benefit obligation	168.65	147.28
Fair value of plan assets	151.05	122.24
Surplus / (Deficit)	(17.61)	(25.04)
Less: Unrecognised past service cost	-	-
Net asset / (liability) recognized in Balance Sheet	(17.61)	(25.04)

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

(Rs. in lacs)

Particulars	March 31, 2016	March 31, 2015
Opening defined benefit obligation	147.28	112.01
Interest cost	11.42	9.52
Current service cost	9.83	10.19
Benefits paid	(5.40)	(5.92)
Actuarial (gains)/ losses on obligation	5.52	21.48
Closing defined benefit obligation	168.65	147.28

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

(Rs. in lacs)

Particulars	March 31, 2016	March 31, 2015
Opening fair value of plan assets	122.24	88.26
Expected return	9.78	7.06
Contributions by employer	25.04	23.75
Benefits paid	(5.40)	(5.92)
Actuarial gains / (losses)	(0.62)	9.09
Closing fair value of plan assets	151.05	122.24

The defined benefit obligation amounting to Rs. 168.65lacs is funded by assets amounting to Rs. 151.05lacs and the Company expects to contribute Rs. 17.61lacs during the next year.

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

Particulars	March 31, 2016	March 31, 2015
	%	%
Investments with insurer	100	100

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

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

Particulars	March 31, 2016	March 31, 2015
	%	%
Discount Rate	8.00	7.75
Expected rate of return on assets	8.00	8.00
Future Salary Increase	6.00	6.00
Withdrawal rate	1 to 3	1 to 3

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



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

Amounts for the current and previous four years are as follows: (Rs. in lacs)

Particulars	(Rs. in lacs)				
	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
Defined benefit obligation	168.65	147.28	112.01	92.72	73.94
Plan assets	151.05	122.24	88.26	81.26	57.02
Surplus / (deficit)	(17.61)	(25.04)	(23.75)	(11.46)	(16.92)
Experience adjustments on plan liabilities	(9.31)	(11.67)	(18.31)	(5.53)	(10.31)
Experience adjustments on plan assets	(0.62)	(7.77)	(0.09)	2.75	(0.23)

Defined Contribution Plan

(Rs. in lacs)

Particulars	(Rs. in lacs)	
	March 31, 2016	March 31, 2015
Contribution to Provident Fund	32.87	23.88
Contribution to Superannuation Fund	3.91	4.00
Total	36.78	27.88

Policy on Superannuation

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

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

Particulars	March 31, 2016	March 31, 2015
Foreign Currency Loan	NIL	NIL

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

Particulars	Percentage of total consumption		Value (Rs. in lacs)	
	2015-16	2014-15	2015-16	2014-15
Stores & Spares				
- Imported	-	-	-	-
- Indigenously obtained	100	100	77.60	142.09
Total	100	100	77.60	142.09

36. Earnings in foreign currency (accrual basis)

Particulars	2015-16 (Rs in lacs)	2014-15 (Rs in lacs)
Others (Sale of Voluntary Emission Rights)	16.31	16.31

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

Particulars	2015-16 (Rs in lacs)	2014-15 (Rs in lacs)
Travelling and Conveyance	3.02	1.41
Repair and maintenance – Others	2.20	12.12



38. Corporate social responsibility

- (a) Gross amount required to be spent by the Company during the year –Rs. 24.50 Lacs
 (b) Amount spent during the year on :

(Rs. in lacs)

	Particulars	In cash	Yet to be paid in Cash	Total
(i)	Construction / acquisition of any asset	-	-	-
(ii)	On purposes other than (i) above	9.17	-	9.17

39. Exceptional items represents the one time Business Support Services incurred in accordance with the Shareholder's Agreement entered into between Bhilwara Energy Limited and Statkraft Holding Singapore PTE Limited.

40. Previous year's figures

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

As per our report of even date

For S.R. Batliboi & Co. LLP

ICAI Firm Registration No: 301003E/E300005

Chartered Accountants



Per Atul Seksaria
Partner

Membership No.86370


Place: NOIDA
Date: 2 MAY 2016



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



Ravi Jhunjunwala
Chairman and Managing Director
DIN:-00060972



Tima Iyer Utne
Director
DIN:- 06839949



O.P. Ajmera
CEO and CFO



Arvind Gupta
Company Secretary
M.No.:- F-7690

Place: NOIDA
Date: 2 MAY 2016





MALANA POWER COMPANY LIMITED

CIN No. : U40101HP1997PLC019959

Consolidated Financial Statement

2015 - 16

31st, March 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Malana Power Company Limited

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Malana Power Company Limited (hereinafter referred to as "the Holding Company"), its one subsidiary (the Holding Company and its one subsidiary together referred to as "the Group"), comprising of the consolidated Balance Sheet as at March 31, 2016, the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms with the requirement of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors,



as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the consolidated state of affairs of the Group, its associates and jointly controlled entities as at March 31, 2016, their consolidated profit, and their consolidated cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

As required by section 143 (3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
- (b) In our opinion proper books of account] as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books;
- (c) The consolidated Balance Sheet, consolidated Statement of Profit and Loss, and consolidated Cash Flow Statement dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2016 taken on record by the Board of Directors of the Holding Company and the Board of Directors of its one subsidiary company incorporated in India, none of the directors of the Group's companies incorporated in India is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting of the Holding Company and its subsidiary companies, associate companies and jointly controlled companies incorporated in India, refer to our separate report in "Annexure 1" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, its associates and jointly controlled entities – Refer Note 25, 29, 30, 35 and 36 to the consolidated financial statements;



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- ii. The Group did not have long-term contracts including derivative contracts for which there were any material foreseeable losses..

- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, its subsidiaries, associates and jointly controlled companies incorporated in India.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005



per **Atul Seksaria**

Partner

Membership Number: 86370

Place: *NOIDA*

Date: *2 MAY 2016*



ANNEXURE 1 TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MALANA POWER COMPANY LIMITED

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Malana Power Company Limited

In conjunction with our audit of the consolidated financial statements of Malana Power Company Limited as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Malana Power Company Limited (hereinafter referred to as the "Holding Company") and its one subsidiary company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the of the Holding Company and its one subsidiary company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and



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directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company and its one subsidiary company, which are companies incorporated in India, have, maintained in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Explanatory paragraph

We also have audited, in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India as specified under section 143(10) of the Act, the consolidated financial statements of the Holding Company, which comprise the Consolidated Balance Sheet as at March 31, 2016, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and our report dated May 2, 2016 expressed an unqualified opinion thereon.

For **S.R. Batliboi & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E /E300005



per **Atul Seksaria**
Partner

Membership Number: 86370



Place: *NOIDA*

Date: *2 MAY 2016*

Malana Power Company Limited
Consolidated Balance Sheet as at March 31, 2016

	Notes	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Equity and liabilities			
Shareholders' funds			
(a) Share capital	3	14,752.57	14,752.57
(b) Reserves and surplus	4	70,192.63	62,183.75
		<u>84,945.20</u>	<u>76,936.32</u>
Minority Interest			
		<u>4,568.90</u>	<u>4,170.62</u>
Non-current liabilities			
(a) Long-term borrowings	5	87,090.19	90,143.84
(b) Deferred tax liabilities	6	3,402.10	3,132.78
(c) Long-term provisions	7	180.32	186.31
		<u>90,672.61</u>	<u>93,462.93</u>
Current liabilities			
(b) Trade payables	8	1,170.15	2,026.38
(c) Other current liabilities	8	5,710.46	12,800.79
(d) Short-term provisions	7	131.55	207.23
		<u>7,012.16</u>	<u>15,034.40</u>
TOTAL		<u>187,198.87</u>	<u>189,604.27</u>
Assets			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	167,664.32	174,168.28
(ii) Intangible assets	9	0.96	0.96
(b) Loans and advances	10	4,275.14	3,442.98
(c) Other non-current assets	11	23.01	23.01
		<u>171,963.43</u>	<u>177,635.23</u>
Current assets			
(a) Inventories	12	1,157.05	1,170.51
(b) Trade receivables	13	2,696.36	6,449.01
(c) Cash and bank balances	14	9,804.86	2,804.70
(d) Loans and advances	10	330.50	328.66
(e) Other current assets	15	1,246.67	1,216.16
		<u>15,235.44</u>	<u>11,969.04</u>
TOTAL		<u>187,198.87</u>	<u>189,604.27</u>

Summary of significant accounting policies 2.2

The accompanying notes are an integral part of the financial statements

As per our report of even date
For S. R. Batliboi & Co. LLP

ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

per Atul Seksaria
Partner
Membership No. : 86370

Place : NOIDA
Date : 2 MAY 2016

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

Ravi Jhunjhunwala
Chairman and Managing Director
DIN:-00060972

C.P. Ajmera
CEO and CFO

Tima Iyer Uine
Director
DIN:-06839949

Arvind Gupta
Company Secretary
M.No. :-F7690

Place : NOIDA
Date : 2 MAY 2016



Malana Power Company Limited
Consolidated Statement of Profit & Loss for the year ended March 31, 2016

	Notes	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Income			
Revenue from operations (net)	16	29,648.36	31,754.63
Other Income	17	7,337.01	3,890.03
Total Revenue		36,985.37	35,644.66
Expenses			
Wheeling Cost		272.10	317.55
Bulk power transmission charges		1,368.85	3,363.69
Open access charges		1,049.64	1,221.27
Employee benefits expense	18	2,135.13	2,088.47
Other expenses	19	2,830.77	4,108.32
Depreciation and amortisation expense	20	6,552.64	7,227.00
Finance costs	21	10,945.15	11,887.35
Exceptional items	34	2,124.00	-
Total expenses		27,278.28	30,213.65
Profit before tax		9,707.09	5,431.01
Tax expense			
Current tax (MAT)		1,513.86	521.01
Less : MAT Credit Entitlement		(483.24)	-
Deferred tax charge		269.32	935.70
Total tax expense		1,299.94	1,456.71
Profit for the year		8,407.15	3,974.30
Less: Minority interest		398.28	370.74
Profit after minority interest		8,008.87	3,603.56
Earnings per share (nominal value of share Rs.10)			
Basic and diluted	22	5.43	2.44
Summary of significant accounting policies	2.2		
The accompanying notes are an integral part of the financial statements			

As per our report of even date
For S. R. Batliboi & Co. LLP

ICAI Firm Registration Number: 301003E/E300005
Chartered Accountants

Atul Seksaria
per Atul Seksaria
Partner

Membership No. : 86370



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

Ravi Jhunjunwala
Ravi Jhunjunwala
Chairman and Managing Director
DIN:-00060972

Tina Iyer Ume
Tina Iyer Ume
Director
DIN:-06839949

O.P. Ajmera
O.P. Ajmera
CEO and CFO

Arvind Gupta
Arvind Gupta
Company Secretary
M.No. :-F7690

Place : NOIDA
Date : 2 MAY 2016

Place : NOIDA
Date : 2 MAY 2016



Malana Power Company Limited
Consolidated Cash flow statement for the year ended March 31, 2016

	For the year ended March 31, 2016 Rs. in lakhs	For the year ended March 31, 2015 Rs. in lakhs
Cash flow from operating activities		
Net profit before tax	9,707.09	5,431.01
Adjustments to reconcile PBT to net Cash flows :		
Depreciation	6,552.64	7,227.00
Loss / (Profit) on sale of fixed assets	(5.45)	(8.39)
Interest expense	15,757.49	11,764.82
Provision for doubtful advances	-	144.13
Interest income	(622.47)	(503.48)
Discount on issue of debenture	-	41.57
Surrender value of keyman insurance policy	-	(2.23)
Asset held for sale written off	-	694.68
Operating profit before working capital changes	31,389.30	24,789.11
Movement in working capital :		
- (Increase)/decrease in trade receivables	3,752.69	(2,771.70)
- (Increase)/decrease in loans and advances	4.09	148.97
- (Increase)/decrease in other current assets	(2.19)	(0.05)
- (Increase)/decrease in inventories	13.46	441.21
- (Decrease)/increase in current liability	(1,128.37)	813.62
- (Decrease)/increase in provision	223.46	(27.46)
- (Decrease)/increase in trade payable	(15.66)	18.87
Cash generated from operations	34,236.78	23,412.57
Direct tax paid (net of refund)	1,966.33	452.83
Net cash flow from / (used in) operating activities (A)	32,270.45	22,959.74
Cash flow from investing activities		
Purchase of fixed assets (including capital work in progress)	(241.34)	(244.62)
Proceeds from sale of fixed assets	31.05	10.21
Interest received	594.15	450.40
Fixed deposit made	(6,158.54)	(15.72)
Net cash flow from / (used in) investing activities (B)	(5,774.68)	200.27
Cash flow from financing activities		
Repayment of long term loan	(10,496.65)	(18,588.12)
Proceeds from long -term borrowings	600.00	5,541.57
Interest paid	(15,757.50)	(11,806.39)
Net cash from / (used in) financing activities (C)	(25,654.15)	(24,852.94)
Net Increase / (decrease) in cash and cash equivalents (A+B+C)	841.62	(1,692.93)
Cash and cash equivalents at the beginning of the year	1,904.27	3,597.20
Cash and cash equivalents at the end of the year	2,745.89	1,904.27
Components of cash and cash equivalents		
Cash on hand	5.92	9.09
Deposits with original maturity of less than 3 months	2,375.00	800.00
With banks - on current account	364.97	1,095.18
Total cash & cash equivalents (Note no. 14)	2,745.89	1,904.27

The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" of the Companies (Accounts) Rules, 2014

As per our report of even date

For S. R. Batliboi & Co. LLP
 Firm Registration Number: 301003E/E300005
 Chartered Accountants

per Atul Sekaria
 Partner
 Membership No. : 86370

Place : NOIDA
 Date : 2 MAY 2016

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

Ravi Jhunjunwala
 Chairman and Managing Director
 DIN:-00060972

O.P. Ajmera
 CEO and CFO
 Place : NOIDA
 Date : 2 MAY 2016

Tina Iyer Utte
 Director
 DIN:-06839949

Arvind Gupta
 Company Secretary
 M.No.:-F7690



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

1. Corporate Information

The consolidated financial statements comprises Malana Power Company Limited (MPCL) (Holding Company) and its one subsidiary i.e. AD Hydro Power Limited, (ADHPL) (together referred to as "Group") for the year ended March 31, 2016.

The group is engaged in the generation of hydro- electric power and development of hydro power projects. The subsidiary company considered in the consolidated financial statements is 'AD Hydro Power Limited' with proportion of 88% ownership as on March 31, 2016.

2. Basis of preparation of Consolidated Financial Statement

The financial statements of the Group have been prepared and presented in accordance with generally accepted accounting principles in India (Indian GAAP). The Group has prepared these financial statements to comply with all material respects with the accounting standards notified under section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014, to the extent applicable. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of financial statements, except as mentioned herein below, are consistent with those of previous year.

Consolidated financial statements are being prepared as per requirement of section 129(3) of the Companies Act 2013 in the manner as stated in AS-21 'Consolidated financial statements'. Since the Consolidated financial statements have been prepared for the first time and in accordance with transitional provision of AS-21 'Consolidated Financial Statement', comparative figures for previous period have not been disclosed in the consolidated financial statements as at March 31, 2016.

2.1 Principle of consolidation

The consolidated financial statements relates to Malana Power Company Limited ('the Holding Company'), its one subsidiary AD Hydro Power Limited, collectively referred to as 'the Group'. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the parent and its subsidiaries have been combined on a line-by-line basis by adding together the book values of items of assets, liabilities, revenues and expenses after eliminating intra-Group balances / transactions and resulting profits in full. Unrealized profit / losses resulting from intra-Group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Group.
- b) The consolidated financial statements have been prepared using uniform accounting policies for transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

2.2 Summary of Significant Accounting Policies

(a) Use of estimates

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

(b) Tangible Fixed Assets

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



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

Expenditure directly relating to construction activity is capitalized and apportioned to fixed assets on completion of the project. Indirect expenditure incurred during the construction period which is not related to the construction activity nor is incidental thereto has been charged to the statement of profit and Loss account. Income earned during construction period is deducted from the total of the indirect expenditure.

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

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

(c) Depreciation / Amortization on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives prescribed under Schedule II of the Companies Act 2013 except in case of roads which has been taken as 10 years based on technical evaluation.. The group has used the following rates to provide depreciation on its fixed assets.

	Useful life (Years)
Buildings other than factory buildings	60
Plant and Machinery used in generation, transmission and distribution of power	40
Civil Work	40
Factory Buildings	30
Plant and Machinery	15
Electrical Installations	10
Furniture and Fixtures	10
Roads	10
Vehicles	8
Computers and Data processing equipments	3-6
Office equipments	5
Software	3

The depreciation/ amortization has been provided as per Companies Act, 2013.

(d) Impairment of assets

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

(e) Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life of 3 to 5 years.



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

The intangible assets are assessed for impairment whenever there is indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year end.

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

(f) Borrowing Costs

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

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

(g) Leases

Where the Group is the lessee

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

(h) Investment

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

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

(i) Inventories

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

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

(j) Revenue Recognition

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

Sale of Electricity

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

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.. Interest income is included under the head "other income" in the statement of profit and loss.



Voluntary emission rights (VER)

Revenue is recognized as and when the VER's are certified and ultimate collections are made for the same.

Carbon Credit Entitlement / Certified Emission Reductions ("CER")

In process of generation of hydro-electric power, the Group also generates carbon emission reduction units which may be negotiated for price in international market under Clean Development Mechanism (CDM) subject to completing certain formalities and obtaining certificate of Carbon Emission Reduction (CER) as per Kyoto Protocol. Revenue from CER is recognised as and when the CER's are certified and ultimate collections are made for the same

Sale of Scrap

Revenue in respect of sale of scrap is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

- (k) Foreign currency translation
Foreign currency transactions and balances

Initial Recognition

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

Conversion

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

Exchange Differences

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

- (l) Retirement and other employee benefits
- (i) Retirement benefits in the form of Provident Fund and superannuation scheme are a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the provident fund/trust.
 - (ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
 - (iii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the year-end.
 - (iv) The Group presents its gratuity and leave as current and non-current based on the actuarial valuation.
 - (v) Actuarial gains / losses are immediately taken to statement of profit and loss in the period in which they incur and are not deferred.
- (m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.



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Notes to Consolidated Financial Statements for the year ended 31 March 2016

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of earlier years.

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

In the situations where the Group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Group restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

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

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

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

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

(n) Earnings Per Share

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

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

(o) Provisions

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present



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value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

(p) Cash and Cash equivalents

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

(q) Contingent Liability

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



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3. Share Capital

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Authorized Shares 160,000,000 (previous year 160,000,000) equity shares of Rs 10 each	16,000.00	16,000.00
Issued, Subscribed and fully paid-up shares 147,525,731 (previous year 147,525,731) equity shares of Rs 10 each fully paid	14,752.57	14,752.57

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

	March 31, 2016		March 31, 2015	
	No. of shares	Amount (Rupees in lacs)	No. of shares	Amount (Rupees in lacs)
Shares outstanding at the beginning of the year	147,525,731	14,752.57	147,525,731	14,752.57
Shares Issued during the year	-	-	-	-
Shares outstanding at the end of the year	147,525,731	14,752.57	147,525,731	14,752.57

(b) Terms/rights attached to equity shares

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

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

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

	March 31, 2016		March 31, 2015	
	No. of shares	Amount (Rupees in lacs)	No. of shares	Amount (Rupees in lacs)
Bhilwara Energy Limited, the holding company	75,238,123	7,523.80	75,238,123	7,523.80

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

Equity shares of Rs 10 each fully paid up	March 31, 2016		March 31, 2015	
	No. of shares	% Holding	No. of shares	% Holding
Name of the Share Holders				
Bhilwara Energy Limited	75,238,123	51%	75,238,123	51%
Statkraft Holding Singapore Pte Limited (earlier known as SN Power Holding Singapore Pte Limited)	72,287,608	49%	72,287,608	49%

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

4. Reserves & surplus

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Securities premium account	32,545.67	32,545.67
Surplus in the Consolidated statement of profit and loss		
Balance as per last financial statements	29,638.09	26,034.52
Add: profit for the year	8,407.15	3,974.30
Transfer to minority interest	(398.28)	(370.74)
Net surplus in the consolidated statement of profit and loss	37,646.96	29,638.08
Total reserves and surplus	70,192.63	62,183.75



5. Long term borrowings

	Non current portion		Current maturities	
	March 31, 2016 (Rupees in lacs)	As at March 31, 2015 (Rupees in lacs)	March 31, 2016 (Rupees in lacs)	As at March 31, 2015 (Rupees in lacs)
Redeemable Non-Convertible Debentures				
No of debentures 13,09,825 (previous year 13,09,825) of Rs 1000 each	13,098.25	13,098.25	-	-
Term loans				
Indian rupee loan from banks (secured)	49,884.16	55,650.17	2,170.28	9,383.22
From financial institution (secured)	24,107.78	21,395.42	2,833.67	2,463.73
TOTAL	87,090.19	90,143.84	5,003.95	11,846.95
The above amount includes				
Secured Borrowings	87,090.19	90,143.84	5,003.95	11,846.95
Unsecured Borrowings	-	-	-	-
Amount disclosed under the head "other current liabilities"	-	-	(5,003.95)	(11,846.95)
	87,090.19	90,143.84	-	-

In case of holding company - Malana Power Company Limited

The Company has taken Indian Rupee term loans from IDBI Bank Rs 8,600 lacs (previous year Rs Rs 16,000 lacs)

The Company has taken Indian Rupee term loans from ICICI Bank Rs 6,000 lacs (previous year Rs NIL) carrying interest at base rate plus 1.30% currently @ 10.65% per annum (previous year 11.50% per annum)

The Company has taken Indian Rupee term loans from IDFC Infra Debt FI's Rs 4,900 lacs (previous year Rs NIL) carrying interest at base rate plus 1.35% currently @ 10.65% per annum (previous year NIL)

In case of subsidiary company - AD Hydro Power Limited

Redeemable Debenture amounting to Rs 13,098.25 lakhs (previous year Rs 13,098.25 lakhs) represent Debenture issued to IL&FS Infrastructure Debt Fund (IDF) during the financial year 2013-14 and 2014-15

The debentures carries interest rate of 11.36% to 11.87% per annum (previous year 12%) (floating) and were issued at a discount of 0.75%. The Debenture is redeemable in unequal two installment in a year starting from June 2017 to December 2024 with installment ranging from Rs 327.44 lakhs to Rs 3143.58

The above debenture issued to IDF are secured by way of a Second 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. Further, the holding company, Malana Power Company Limited, has provided corporate guarantee in case of default in repayment and has also given negative pledge of its investment in the Company.

Term loan from a financial institution (represents loan from IFC, Washington, a minority shareholder) of Rs 5,171.30 lakhs (previous year Rs 7,557.65 lakhs) was taken during the financial year 2007-08 and carries interest @ 7.51% to 10.18% p.a. The loan is repayable in 40 quarterly installments based on mortgage style amortization starting from 15th October 2010. Further term loan from IFC Washington of Rs 16,224.12 lakhs (previous year Rs 16,301.50 lakhs) was taken during the years 2009-10 to 2011-12 and carries interest @ 10.19% to 11.50% p.a. The loan is repayable in 46 quarterly installments based on mortgage style amortization starting from 15th October 2011

and the repayment installment starting from October 1, 2010.

The Company has taken Indian Rupee term loans from IDBI Bank Rs 16,308 lakhs (previous year Rs Rs 11,249 lakhs)

The Company has re-structured existing loan and reduced exposure to Rs 16,308 lakhs carrying interest at base rate plus 0.90% i.e. currently @ 10.65% per annum (previous year 11.50% per annum) secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis. This loan repayable in structured 54 quarterly installments commencing from 30th June 2016 and ending on 30th September 2029.

The Company has taken Indian Rupee term loans from ICICI Bank Rs 10,898.42 lakhs (previous year Rs NIL) carrying interest at base rate plus 1.30% currently @ 10.65% per annum (previous year 11.50% per annum) secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis. This loan repayable in structured 54 quarterly installments commencing from 30th June 2016 and ending on 30th September 2029.

The Company has taken Indian Rupee term loans from IDFC Infra Debt FI's Rs 5,546.02 lakhs (previous year Rs NIL) carrying interest at base rate plus 1.35% currently @ 10.65% per annum (previous year NIL) per annum) secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis. repayable in structured 54 quarterly installments commencing from 30th June 2016 and ending on 30th September 2029.



6. Deferred tax liabilities

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Deferred tax liability		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	3,394.96	3,125.64
Others	7.14	7.14
Deferred tax liabilities	3,402.10	3,132.78

7. Provisions

	Long-term		Short-term	
	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Provision for employee benefits	-	-	43.18	56.18
Provision for gratuity (Refer note 32)	-	-	10.75	14.22
Provision for leave benefits	158.03	162.34	-	-
Provision for continuity linked bonus	22.29	23.97	-	-
TOTAL	180.32	186.31	53.93	70.40
Other Provision	-	-	77.62	136.83
Provision for income tax (net of advance tax of Rs.3,848.12 lakhs)	-	-	77.62	136.83
TOTAL	180.32	186.31	131.55	207.23

8. Trade Payables and Other current liabilities

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Trade payables	1,170.15	2,026.38
Other current liabilities		
Capital creditors	93.30	197.47
Current maturities of long term borrowings	5,003.95	11,846.95
Interest accrued but not due on loan from financial institutions-	5.71	492.16
Sundry deposits	481.96	32.64
Statutory dues payable	125.54	231.57
TOTAL	5,710.46	12,800.79



9) Tangible and Intangible assets

	Gross Block						Depreciation/amortisation			Net Block	
	As at	Additions	Deletions/ Adjustments	As at	As at	As at	Additions	Deletions/ Adjustments	As at	As at	As at
	Apr 01, 2015	Mar 31, 2016	Apr 01, 2015	Mar 31, 2016	Apr 01, 2015	Mar 31, 2016	Mar 31, 2016	Mar 31, 2016	Mar 31, 2016	Mar 31, 2016	Apr 01, 2015
(i) Tangible Assets											
Civil Work	102,080.50	102,080.50	-	102,080.50	27,310.78	2,014.53	29,325.31	-	72,755.19	74,769.72	
Freehold Building and Roads	30,337.97	30,337.97	-	30,337.97	10,990.01	2,327.29	13,317.30	-	17,020.67	19,347.96	
Computers	167.39	164.36	4.10	164.36	154.38	5.32	155.65	4.05	8.71	13.01	
Electric Installations	605.65	606.72	2.44	606.72	383.54	82.49	463.59	2.44	143.13	222.11	
Freehold Land	3,304.21	3,288.70	-	3,288.70	-	-	3,288.70	-	3,288.70	3,304.21	
Furniture and Fixtures	207.62	185.80	23.22	185.80	171.24	12.06	162.62	20.68	23.18	36.38	
Office Equipments	163.19	159.73	10.66	159.73	117.12	31.21	137.61	10.72	22.12	46.08	
Plant & Machinery	58,567.45	58,587.26	0.08	58,587.26	16,630.02	1,150.39	17,780.37	0.04	40,806.89	41,937.43	
Project Equipments	100.37	100.34	0.03	100.34	63.60	3.04	66.61	0.03	33.73	36.77	
Transmission Line	44,363.91	44,363.91	-	44,363.91	9,971.64	912.70	10,884.34	-	33,479.57	34,392.27	
Vehicles	235.60	221.59	55.25	221.59	173.26	13.54	139.16	47.64	82.43	62.34	
Total	240,133.86	240,096.88	111.29	240,096.88	65,965.59	6,552.57	72,432.56	85.60	167,664.32	174,168.28	
(ii) Intangible Assets											
Software	59.29	59.29	-	59.29	58.33	-	58.33	-	0.96	0.96	
Total	59.29	59.29	-	59.29	58.33	-	58.33	-	0.96	0.96	
Grand Total	240,193.15	240,156.17	111.29	240,156.17	66,023.92	6,552.57	72,490.89	85.60	167,665.28	174,169.24	

Notes :

- 1) Freehold building and roads includes cost of road Rs.1,228.38 lacs (Previous year 1,228.38 lacs) constructed on forest land diverted for the project under irrevocable right to use.
- 2) Transmission Lines includes Rs.41.81 lacs (Previous year Rs. 41.81 lacs) towards cost of land and compensation paid to Forest Department for construction of Transmission towers under irrevocable right to use.
- 3) Gross block of transmission line includes payment for 'Right to use' amounting to Rs.5,253.98 lakhs. Right to use' is a irrevocable perpetual right of use of land, but the ownership of land does not vest with the Company
- 4) Land includes Rs. 3,066.16 lakhs paid for 12.46 hectares land, out of which mutation for execution of 9.73 hectares in favour of Company has been completed. Apart from notified land, 2.73 hectares land has been acquired directly from the villagers and the mutation is in progress



10. Loans and advances

(Unsecured, considered good unless otherwise stated)	Non-Current portion		Current Maturities	
	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Capital advances				62.85
Advance for bara banghal project [including Rs 681.88 lacs (Previous year Rs 681.88 lacs) towards consultancy and other expenses on the project] (Unsecured, considered doubtful) (Refer note 29)	6,801.84	6,801.89	-	-
Less: Provision against upfront premium/other expenditure for bara banghal	(3,741.84)	(3,741.84)	-	-
Security deposits	55.18	55.37	-	-
Advances recoverable in cash and kind	0.29	-	300.65	235.96
Loans & advance to subsidiary company	-	-	-	-
Advances recoverable in cash or in kind for value to be received (unsecured, considered doubtful)	-	-	24.40	24.40
Less: provision for doubtful advances	-	-	(24.40)	(24.40)
Other loans & advances Unsecured, considered good	-	-	-	-
Advance tax (net of provision of Rs 4,903.62 lacs)	674.92	313.29	-	-
MAT credit entitlement	483.26	-	-	-
Loans to employees	1.49	14.27	29.85	29.85
TOTAL	4,275.14	3,442.98	330.50	328.66

11. Other non current assets

(Unsecured, considered good unless stated otherwise)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Interest accrued on loan given to subsidiary company		
Surrender value of keyman insurance policy	21.01	21.01
Balance with Banks:		
Deposits with original maturity period of more than 12 months	2.00	2.00
TOTAL	23.01	23.01

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

12. Inventories

(valued at lower of cost and net realisable value)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Stores and spares [including material lying with third parties Rs. 0.22 (previous year Rs. Nil)]	1,143.75	1,157.21
Scrap	13.30	13.30
TOTAL	1,157.05	1,170.51

13. Trade receivables (Current)

(Unsecured, considered good unless stated otherwise)	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Outstanding for a period exceeding six months from the date they are due for payment	1,994.58	4,242.22
Other receivables	701.78	2,206.79
Other receivables - HPSEB (refer note 36)	316.68	-
Less: Provision for doubtful receivables	(316.68)	-
TOTAL	2,696.36	6,449.01

14. Cash and bank balances

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Cash and cash equivalents		
Balances with banks in:		
- Current accounts	364.97	1,095.18
Deposits with original maturity for less than 3 months	2,375.00	800.00
Cash on hand	5.92	9.09
	2,745.89	1,904.27
Other bank balances		
Margin money deposit (held as security)	4,536.28	898.03
Bank Deposits with original maturity of more than 3 months and upto a period of 12 months maturity.	2,502.40	2.40
Deposits with original maturity for more than 12 months	22.29	2.00
	7,060.97	902.43
Less: Amount disclosed under non current assets (Note 11)	(2.00)	(2.00)
TOTAL	9,804.86	2,804.70

15. Other current assets

	March 31, 2016 (Rupees in lacs)	March 31, 2015 (Rupees in lacs)
Interest accrued on banks deposits whichever is lower	100.31	69.80
	1,146.36	1,146.36
TOTAL	1,246.67	1,216.16



16. Revenue from operations

	March 31, 2016 (Rupees in lacs)	For the year ended March 31, 2015 (Rupees in lacs)
Revenue from operations		
Sale of power	27,047.03	30,148.54
Revenue from operations (gross)	27,047.03	30,148.54
Less : Discount on prompt payments	(299.02)	(315.68)
Less : Handling charges	(58.96)	(139.38)
Less : Unscheduled interchange charges	138.67	(636.48)
Less : Professional charges	(16.42)	(14.02)
Other operating income		
Transmission charges received	2,837.06	2,711.65
Revenue from operations (Net)	29,648.36	31,754.63

17. Other income

	March 31, 2016 (Rupees in lacs)	For the year ended March 31, 2015 (Rupees in lacs)
Interest on bank deposits	624.66	503.43
Interest on others	22.72	10.22
Sale of voluntary emission reductions (VER) / Credit Emission reductions (CER)	3,561.46	3,407.74
Expenses on sale of voluntary emission reductions (including commission)	(67.61)	(66.21)
Surrender value of keyman insurance policy	-	2.23
Transmission Charges	354.35	-
STU Charges	102.03	-
Refund of Bulk power transmission charges	2,304.43	-
Profit on fixed assets sold/discarded	5.45	8.39
Exchange fluctuation (net)	-	5.28
Miscellaneous income	429.52	18.95
TOTAL	7,337.01	3,890.05

18. Employee benefits expenses

	March 31, 2016 (Rupees in lacs)	For the year ended March 31, 2015 (Rupees in lacs)
Salaries, wages and bonus	1,685.55	1,618.56
Director's remuneration	174.15	168.16
Contribution to provident and other funds	102.48	99.35
Gratuity expenses (Refer note 32)	43.18	56.18
Leave compensation expenses	11.93	30.08
Workmen and staff welfare expenses	117.84	116.14
TOTAL	2,135.13	2,088.47



19. Other expenses

	March 31, 2016 (Rupees in lacs)	For the year ended March 31, 2015 (Rupees in lacs)
Stores, spares & other consumables	184.27	333.39
Rent	88.79	95.69
Power and fuel	135.83	139.72
Repair and maintenance		
- Buildings	6.24	5.86
- Civil works	327.05	133.15
- Plant and machinery	314.14	451.96
- Others	32.75	87.55
Rates and taxes	1.39	9.94
Insurance	433.78	420.53
Payment to auditor	38.21	36.86
Communication costs	17.41	20.25
Printing and stationery	4.81	5.73
Travelling and conveyance	135.78	124.81
Membership fees and subscriptions	2.94	11.97
Legal and professional fees	240.20	250.33
Security arrangement expense	125.63	128.63
Provision for doubtful debit	316.68	-
Social welfare expenses	72.17	92.48
Vehicle running & hiring expenses	113.30	149.07
Provision for doubtful advances	-	144.13
Inventory written off	-	458.61
Fixed held for sale written off	-	694.67
CSR expenses (Refer note 33)	9.17	5.15
Miscellaneous expenses	230.23	307.84
TOTAL	2,830.77	4,108.32

20. Depreciation and amortisation expenses

	March 31, 2016 (Rupees in lacs)	For the year ended March 31, 2015 (Rupees in lacs)
Depreciation on tangible assets	6,552.64	7,223.94
Amortization of Intangible assets	-	3.06
TOTAL	6,552.64	7,227.00

21. Finance cost

	March 31, 2016 (Rupees in lacs)	For the year ended March 31, 2015 (Rupees in lacs)
Interest		
- on term loans from banks and financial institutions	8,692.68	10,147.37
- On Unsecured loan	-	17.55
- On debentures	1,408.27	1,476.65
- on Income Tax	-	0.01
Other borrowing cost	693.91	119.55
Other bank charges	150.29	126.22
TOTAL	10,945.15	11,887.35

22. Earning per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

Profit after tax as per statement of profit and loss (after adjusting minority interest)	8,008.87	3,603.56
Weighted average number of equity shares in calculating basic and diluted EPS	1,475.26	1,475.26
Basic and diluted earnings per share in Rupees (face value of Rs.10)	5.43	2.44



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Notes to Consolidated Financial Statements for the year ended 31 March 2016

23. Segment Reporting

The Group's activities during the year involved generation of the hydro power. Considering the nature of Group's business and operations, there are no separate reportable segments (business and/ or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting' issued by the Companies (Accounts) Rules, 2014 and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.

24. The details of subsidiary company i.e. AD Hydro Power Limited is as follows :

Name of the entity	Country of Incorporation	Nature	Net Assets		Share in profit or loss	
			% of Consolidated Net Assets	Amount (Rs. in lacs)	% of Consolidated profit or loss	Amount (Rs. in lacs)
MalanaPower CompanyLimited	India	Parent	(7.27%)	(6,510.34)	(0.16%)	(13.62)
AD Hydro Power Limited	India	Subsidiary	102.17%	91,455.56	95.42%	8022.49
International Finance Corporation,	USA	Minority Interest	5.10%	4,568.90	4.74%	398.28
Total			100%	89,514.12	100%	8,407.15

25. Contingent Liabilities not provided for

A. With respect to the Holding Company :

(a) Guarantees
(Rs. in lacs)

Particulars	As at March 31,2016	As at March 31, 2015
Guarantees:- The Holding Company has provided Corporate/Default Guarantee to FIs/Banks for the loans extended by them to AD Hydro Power Limited (subsidiary company)		
1. The amount of outstanding loans covered by such guarantees	72,594.14	80,390.79
2. Under the terms of the said guarantee the maximum amount for which the holding company may be contingently liable during the next 12 months	4,567.15	8,000.00

- (b) In respect of assessment year 2008-09, the Assessing Officer had disallowed certain proportion of the expenses as expenses incurred towards the exempt income under Section 14A and other expenses under the Income Tax Act, 1961 and raised a demand of Rs. 15.85 lacs. In response to appeal filed by the Company, part relief has been granted by the Commissioner of Income Tax (Appeals). No demands are pending as on date, as the company has paid tax under MAT provisions. Income tax department and the Holding Company have preferred further appeal before the ITAT, New Delhi, against which orders are yet to be received.
- (c) In respect of assessment year 2009-10, 2010-11 and 2011-12, the Assessing Officer/s had disallowed certain proportion of the expenses as expenses incurred towards the exempt income under Section 14A, and denied the claim of the company to treat the income from carbon credit as capital receipt not subject to tax and raised a demand of Rs. 34.07 lacs, Nil and Rs.68.75 lacs, respectively. In response to appeal filed by the Company, part relief has been granted by the Commissioner of Income Tax (Appeals). No demands are pending as on date, as the company has paid tax under MAT provisions. Income tax department and the Holding Company have preferred further appeal before the ITAT, New Delhi, which is pending for hearing/ orders.
- (d) In respect of assessment year 2012-13 and 2013-14, , the Assessing Officer/s had disallowed certain proportion of the expenses as expenses incurred towards the exempt income under Section 14A, deduction under Section 80IA and other expenses under the Income Tax Act, 1961 and raised a demand of Rs.38.70



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

lacs and Rs.71.19 lacs. The Holding company has preferred further appeal before the CIT Appeals which is pending for hearing/ final orders.

- (e) Wheeling charges claimed by Himachal Pradesh State Electricity Board not acknowledge as debt amounting to Rs1,011.74 lacs to wheel or transfer energy from Bajaura sub station to 400 kV substation of Powergrid Corporation of India(Powergrid) limited at Nalagarh (i.e. interstate point)
- (f) During the financial year 2014-15, Government of Himachal Pradesh has taken a decision to charges lease amount for the diverted forest land retrospectively vide demand order dated August 27, 2014 against 61 hectares of duly diverted forest land, towards the lease money for the period from July 19, 1999 to July 18, 2014, for a sum of Rs.1,385.41 lacs . Further, it directed the Holding Company to pay lease money of Rs. 1677.50lacs per annum form July 19, 2014 which is subject to an increase of 5% of total lease amount after every 5 years. Based on the above the total lease rent demand as on March 31, 2016 works out to be Rs. 4,217.05 lacs.

The Holding Company has filed a writ petition before Honorable High Court of Himachal Pradesh which has granted stay on demand. Pending decision of the High Court, no additional provision has been deemed necessary in the consolidated financial statements in this regard

Based on expert inputs, management believes that these demand and any possible demand for other assessment years to be raised by Income Tax Authorities on similar grounds, is unlikely to crystallize and there is a fair chance of decision in its favor.

B. With respect to the Subsidiary Company :

Particulars	(Rs. in lacs)	
	March 31, 2016	March 31, 2015
Demand under The Building & Other Construction Workers Welfare Cess Act, 1996 (refer note (b) below)	1,300.33	1,300.33
Demand under Local Area Development Fund (LADF) from Directorate of Energy, Government of Himachal Pradesh (refer note (c) below)	1,427.00	1,427.00
Demand raised by Directorate of fisheries, Himachal Pradesh (refer note (d) below)	99.75	99.75
Demand of lease rentals by Himachal Pradesh Govt. for diverted forest land (refer note (e) below)	5,748.59	5263.99

The Subsidiary Company believes that these claims/demand are not probable to be decided against the Company and therefore, no provision for the above is required.

- a) During the financial year 2012-2013, the Assessing Officer through its order dated January 23, 2013 has raised a demand of Rs.1,459.00 lacs under the Building & Other Construction Workers Welfare Cess Act, 1996 (BOCW) for the period from January 1, 2005 to July 31, 2012. The Subsidiary Company had already deposited a sum of Rs. 159.00 lacs and filed a writ before the High Court of Himachal Pradesh for the remaining amount. During the hearing held on February 28, 2013, an interim Stay has been granted against the recovery.

Pending any further directions or conclusion by the State Government, no additional provision has been deemed necessary in the financial statements in this regard.

- b) Directorate of Energy of Himachal Pradesh had raised a demand of Rs. 1,427 lacs towards LADF @ 1.5% on the basis of the total committed cost of the project in terms of hydro policy and after considering the expenses already incurred by the Company. However, as per the Company, this amount was to be computed @ 1.5% of the total cost as reflected in Detailed Project Report (DPR), in terms of agreement dated Nov 05, 2005 entered with the state government, after considering the amount that has already been incurred and deposited by the Subsidiary Company. Matter is being contested before Hon'ble High Court of Himachal Pradesh which has already granted stay on demand
- c) The Department of fisheries vide its letter dated January 4, 2013 directed the Subsidiary Company to pay Rs 99.75 lacs for granting of NOC. The company has filed a writ petition in Hon'ble High Court of Shimla and is contesting the same on the ground that it was not a precondition given by Fisheries department while granting the NOC. The streams are not covered in the negative list issued by Fisheries Department.



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

The Subsidiary Company has deposited under protest an amount of Rs. 35.00 lacs as per interim order of Hon'ble High Court of Himachal Pradesh. The Hon'ble High Court of Himachal Pradesh has granted stay on balance amount.

d) During the financial year 2014-2015, the Government of Himachal Pradesh (GOHP) had framed the policy of levying the lease amount on the diverted forest land with retrospective effect. Accordingly, the demand has been raised on the Subsidiary Company for the period Dec 28, 2004 in respect of 37.620 hectares and from Feb 16, 2008 for 9.55 hectares, toward the diverted forest land, till date. Based on the policy, the lease amount works out to be Rs. 5,748.59 Lacs. The Subsidiary Company is of the view that there is no change in status of land and the policy so framed by the GOHP is not applicable to it. The Subsidiary Company has filed a writ petition before Hon'ble High Court of Himachal Pradesh which has granted stay. In view of this, no provision has been considered necessary.

C. The subsidiary company is subject to certain legal proceedings and claims, which have arisen in the ordinary course of business, for the lands and right to use lands acquired by it and recovery suits filed by various parties. These cases are pending with various courts. After considering the circumstances and legal advice received, management believes that these cases will not adversely impact its financial statements.

26. Other commitments

- a) The Holding Company has entered into agreement with Himachal Pradesh State Electricity Board (HPSEB) to wheel or transfer energy from Bajaura sub station to 400 kV substation of Powergrid Corporation of India (Powergrid) limited at Nalagarh (i.e. interstate point). The company has agreed to pay wheeling charges. This, being firm commitment, is recognized as an expense, on receipt of monthly bills from HPSEB under the head 'Wheeling Charges' in the statement of profit and loss.
- b) At March 31, 2016, the Holding Company has committed for non-disposal of its investment in subsidiary AD Hydro Power Limited to the consortium lenders (similar commitment was there in the previous year also).
- c) The Subsidiary Company has entered into Bulk Power Transmission Agreement with Powergrid Corporation of India Limited (Powergrid) to avail long term open access to the transmission system of Powergrid for transfer of power from AllainDuhangan HEP to Northern Region Constituents. The Subsidiary company has agreed to share and pay all the transmission charges of Powergrid for a period of 40 year from COD (commercial operation date) i.e July 29, 2010. This, being firm commitment, is recognized as an expense, on receipt of monthly bills from Powergrid, under the head 'Bulk power transmission charges' in the consolidated statement of profit and loss.



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MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

27. Related Party Disclosure

(a) Names of related parties where control exist and with whom transaction have taken place during the year.

Holding Company	Bhilwara Energy Limited
Enterprises having significant influence over the	Statkraft Holding Singapore PTE Limited from July 2014. (Formerly SN Power Holding Singapore Pte Ltd. Singapore) SN Power Global Services Pte. Limited
Fellow Subsidiary Companies	Indo Canadian Consultancy Services Limited,
Key Management Personnel	Mr. Ravi Jhunjhunwala, Chairman & Managing Director Mr. RP Goel , Whole time director in subsidiary company
Relatives of key management personnel	Mrs. Rita Jhunjhunwala(wife of the Chairman & Managing Director) Mr. Riju Jhunjhunwala (son of the Chairman & Managing Director) Mr. Rishabh Jhunjhunwala(son of the Chairman & Managing Director)
Enterprises owned or significantly influenced by key management personnel or their relatives	HEG Limited, RSWM Limited
Enterprises on which Statkraft Holding Singapore PTE Limited (SHSPL) has significant influence	Statkraft Market Private Ltd, India S N Power Invest Asia Pte Ltd, Singapore Statkraft India Private Ltd

(b) Additional related parties as per Companies Act, 2013 with whom transactions have taken place during the year

Chief Financial Officer and Chief Executive Officer	O.P. Ajmera
Company Secretary	Arvind Gupta (Malana Power Company Limited) Narayan Lodha (AD Hydro Power Limited)



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MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

(c) Transaction with related parties

(Rs. in lacs)

Transaction with related parties Nature of Transaction	Holding Company/ Enterprises having significant influence over the Company		Subsidiary/Fellow subsidiary Company		Key Management Personnel *		Relative of Key Management Personnel		Enterprise over which key management personnel /relative having significant influence	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Transactions during the year										
Rent										
a) Mrs. Rita Jhunjhunwala	-	-	-	-	-	-	18.15	17.43	-	-
b) Mr. Rishabh Jhunjhunwala	-	-	-	-	-	-	17.61	16.92	-	-
c) Mr. Riju Jhunjhunwala	-	-	-	-	-	-	17.61	16.92	-	-
d) RSWM Limited	-	-	-	-	-	-	-	-	55.82	55.07
Consultancy service charges paid to Indo Canadian Consultancy Services Limited	-	-	29.34	88.48	-	-	-	-	-	-
Remuneration paid to Mr. Ravi Jhunjhunwala,	-	-	-	-	136.14	130.53	-	-	-	-
Remuneration paid to Mr. R.P. Goel	-	-	-	-	44.81	44.81	-	-	-	-
Remuneration paid to Mr. O.P. Ajmera	-	-	-	-	141.64	121.60	-	-	-	-
Remuneration paid to Mr. Narayan Lodha	-	-	-	-	-	26.76	-	-	-	-
Remuneration paid to Mr. Arvind Gupta	-	-	-	-	12.13	7.12	-	-	-	-
Reimbursement of expenses paid to HEG Limited	-	-	-	-	-	-	-	-	13.17	6.01
Reimbursement of expenses paid to RSWM Limited	-	-	-	-	-	-	-	-	18.67	29.39
Reimbursement of expenses paid to Bhilwara Energy Limited	4.10	2.65	-	-	-	-	-	-	-	-
Reimbursement of expenses recovered from Bhilwara Energy Limited	47.10	75.29	-	-	-	-	-	-	-	-



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

Reimbursement of expenses paid to Indo Canadian Consultancy Services Limited	-	-	0.04	0.09	-	-	-	-	-	-	-	-
Reimbursement of expenses incurred on behalf of Indo Canadian Consultancy Services Limited	-	-	-	1.39	-	-	-	-	-	-	-	-
Business Support given by Bhiwara Energy Limited for execution of AD Hydro HEP	2,123.98	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses incurred on behalf of Statkraft Market Pvt Ltd, India	-	0.71	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses incurred by to S N Power Invest Asia Pte Ltd, Singaporeon behalf of the Group	-	0.89	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses incurred by to Statkraft India Pvt Ltd, India (Earlier S N Power india), on behalf of the Group	2.45	1.69	-	-	-	-	-	-	-	-	-	-
Amount Paid to Statkraft Market Pvt Ltd, India towards Trading Margin	31.41	4.80	-	-	-	-	-	-	-	-	-	-
Balances outstanding as at the year end												
Balances Receivable:												
Statkraft Markets Private Limited	1.28	0.88	-	-	-	-	-	-	-	-	-	-
Balances Payable:												
Payable to HEG Limited	5.76	-	-	-	-	-	-	-	-	-	-	-
Payable to RSWM Limited	10.22	-	-	-	-	-	-	-	-	-	-	-

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



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

28. Leases

In case of assets taken on Operating Lease:

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

(Rs. in lacs)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Lease payments for the year	158.30	231.35

29. In respect of 200 MW Bara Banghal project in state of HP for which the Holding Company had bid and paid an upfront premium of Rs. 6,120 lacs, the Company has decided to shelve off the same as the State Hydro Power Policy is not aligned with MOEF Policy of GOI which prohibits the implementation of a hydro power project in wild life /eco sensitive zone areas. In view of this, the Company has filed a full amount refund claim along with interest. The provision of 50% of Rs. 3,060 lacs recorded in the earlier years shall be written back at the time of acceptance of refund.

30. The Holding Company has filed a Petition with CERC on 06.11.2014 for recovery of excess UI and handling charges, claiming that they have been wrongly charged by HPSEBL bearing number 449/MP/2014. Company has estimated an amount of recovery of Rs.863.90 lacs approximately towards excess UI and Rs. 517.6 lacs towards handling charges. The same would be accounted for after the issue of the final order.

31. In respect of the unsecured loan of Rs.46,380.00 lacs (sub-debt) to the subsidiary company, AD Hydro Power Limited given in the earlier years, the Holding Company has decided to restart charging interest from this year as the operations of the subsidiary Company have become profitable.

32. Gratuity (AS 15- Revised)

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

The following tables summaries the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet:

Net employee benefits expense (recognized in Employee Cost):(Rs. in lacs)

Particulars	March 31, 2016	March 31, 2015
Current Service Cost	23.8	24.54
Interest cost on benefit obligation	20.7	16.43
Expected return on plan assets	(16.88)	(12.47)
Net actuarial (gain)/ loss recognized in the year	15.55	27.67
Net benefit expense	43.18	56.18
Actual return on plan assets	(14.91)	(27.53)



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

Details of Provision for Gratuity: (Rs. in lacs)

Particulars	March 31, 2016	March 31, 2015
Defined benefit obligation	300.36	267.15
Fair value of plan assets	257.18	210.97
Surplus / (Deficit)	(43.58)	(56.18)
Excess of actual over estimated	(1.35)	5.97
Net asset / (liability) recognized in Balance Sheet	(43.18)	(56.18)

Changes in the present value of the defined benefit obligation are as follows:(Rs.in lacs)

Particulars	March 31, 2016	March 31, 2015
Opening defined benefit obligation	267.15	193.33
Interest cost	20.71	16.43
Current service cost	23.80	24.55
Benefits paid	(24.89)	(9.88)
Actuarial (gains)/ losses on obligation	13.58	42.72
Closing defined benefit obligation	300.36	267.15

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

(Rs.in lacs)

Particulars	March 31, 2016	March 31, 2015
Opening fair value of plan assets	210.97	155.9
Expected return	16.88	12.47
Contributions by employer	56.18	37.43
Benefits paid	(24.89)	(9.88)
Actuarial gains / (losses)	(1.97)	15.06
Closing fair value of plan assets	257.18	210.97

The defined benefit obligation amounting to Rs. 257.1lacs is funded by assets amounting to Rs. 210.97lacs and the Group expects to contribute Rs. 40.45lacs during the next year.

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

Particulars	March 31, 2016	March 31, 2015
	%	%
Investments with insurer	100	100

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

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

Particulars	March 31, 2016	March 31, 2015
	%	%
Discount Rate	8.00	7.75
Expected rate of return on assets	8.00	8.00
Future Salary Increase	6.00	6.00
Withdrawal rate	1 to 3	1 to 3

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



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

Amounts for the current and previous four years are as follows: (Rs. in lacs)

Particulars	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013	March 31, 2012
Defined benefit obligation	300.36	267.15	193.33	157.9	152.48
Plan assets	257.18	210.97	155.9	136.48	115.51
Surplus / (deficit)	(43.18)	(56.18)	(37.43)	(21.42)	(36.97)
Experience adjustments on plan liabilities	(21.12)	(23.65)	(23.31)	(5.56)	(17.31)
Experience adjustments on plan assets	(1.97)	(1.8)	1.03	5.04	0.73

Defined Contribution Plan

(Rs. in lacs)

Particulars	March 31, 2016	March 31, 2015
Contribution to Provident Fund	81.73	71.00
Contribution to Superannuation Fund	9.83	15.75
Total	91.56	86.75

Policy on Superannuation

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

33. Corporate social responsibility

- (a) Gross amount required to be spent by the Holding Company during the year – Rs. 24.50lacs
 (b) Amount spent during the year on :

(Rs.in lacs)

	Particulars	In cash	Yet to be paid in Cash	Total
(i)	Construction / acquisition of any asset	-	-	-
(ii)	On purposes other than (i) above	9.17	-	9.17

34. Exceptional items represents the one time Business Support Services incurred in accordance with the Shareholder's Agreement entered into between Bhilwara Energy Limited and Statkraft Holding Singapore PTE Limited.

35. Everest Power Private Limited ('EPPL') is using the transmission system of the Company. As per the Appellate Tribunal for Electricity's ('APTEL') interim order dated June 10, 2011, an interim Power Transmission Agreement (IPTA) was signed between the Company and EPPL on August 9, 2011.

Subsequently, EPPL had raised dispute and stopped the payment of transmission charges after October 2012. The Company ultimately filed an appeal before the Hon'ble Supreme Court of India who gave directions for the payment of arrears of transmission charges and continuation of the payment of monthly transmission charges as per the IPTA till the final adjudication on the matter by it. The arrears of Rs.1,677.89 lacs pertaining to period before March 31, 2016 has been considered good by the Subsidiary Company in view of the progress of the proceedings before the Hon'ble Supreme Court of India.

As per IPTA, the Company can charge interest @ 1.5% per month on the overdue amount which will be accounted for on receipt basis.

36. In respect of the claim of Rs.316.68 lacs made by HPSEBL in the earlier years on account of non-supply of power on Nil generation schedule, the Hon'ble Arbitrator has decided the matter in favour of HPSEBL against which the Company has preferred an appeal before the Hon'ble High Court of Shimla. The management has also considered the provision during the year.



MALANA POWER COMPANY LIMITED

Notes to Consolidated Financial Statements for the year ended 31 March 2016

37. The Subsidiary Company has accumulated losses of Rs.18,074.13as at March 31, 2016. This is the sixth year of operation and fourth year when plant has operated at full capacity. Based on financial projections (including the projected tariff) arrived at after considering the past experience of running similar power project and renewable source of fuel, management believes that profits will continue to accrue on account of expected increase in tariff and hence, no adjustments are required to the carrying amount of fixed assets on account of impairment and the Subsidiary Company will have sufficient cash flow to meets its future obligations.
38. In accordance with Accounting Standard 22 'Accounting for Taxes on Income', issued by the Companies (Accounts) Rules, 2014, deferred tax assets have not been recognized in the books of Subsidiary Company due to losses brought forward and absence of virtual certainty of future taxable profits in view of tax holiday available to the Subsidiary Company.
39. In the absence of profits or free reserves available for payment of dividend the Subsidiary company has not created any debenture redemption reserve in the current year.
40. Previous Year Figures

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

As per our report of even date

For S. R. Batliboi & Co. LLP

ICAI Firm Registration No: 301003E/E300005
Chartered Accountants



Per Atul Seksaria
Partner


Membership No.86370



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

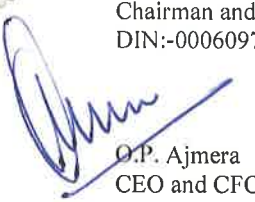


Ravi Jhunjhunwala
Chairman and Managing Director
DIN:-00060972



Tima Iyer Laha
Director
DIN:- 06839949

Place: NOIDA
Date: 2 MAY 2016



O.P. Ajmera
CEO and CFO

Place: NOIDA
Date: 2 MAY 2016



Arvind Gupta
Company Secretary
M.No.:- F-7690



MALANA POWER COMPANY LIMITED

Notes to Financial Statements for the year ended 31 March 2016

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/associate companies/joint ventures**Part "A": Subsidiaries**

(Information in respect of each subsidiary to be presented with amounts Rs. In lacs)

S No.	Particulars	Details
1.	Name of the subsidiary	AD Hydro Power Limited
2.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	April 1, 2015 to March 31, 2016
3.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries	-
4.	Share capital	56,015.28
5.	Reserves & surplus	(17,923.57)
6.	Total assets	170,149.96
7.	Total Liabilities	132,058.25
8.	Investments	Nil
9.	Turnover	21,729.60
10.	Profit before taxation	3,319
11.	Provision for taxation	150.55
12.	Mat credit entitlement	(150.55)
13.	Profit after taxation	3,319
14.	Proposed Dividend	Nil
15.	% of shareholding	88%

Notes: The following information shall be furnished at the end of the statement:

- Names of subsidiaries which are yet to commence operations – not applicable
- Names of subsidiaries which have been liquidated or sold during the year. – not applicable

Part "B": Associates and Joint Ventures is not applicable

As per our report of even date

For S. R. Batliboi & Co. LLP

ICAI Firm Registration No: 301003E//E300005

Chartered Accountants

Per Atul Seksaria

Partner

Membership No.86370

Place:

Date :

For and on behalf of the Board of Directors of

Malana Power Company Limited

Ravi Jhunjhunwala

Chairman and Managing Director

DIN:-00060972

O.P. Ajmera

CEO and CFO

Place:

Date:

Tima Iyer Utne

Director

DIN:- 06839949

Arvind Gupta

Company Secretary

M.No.:- F7690

