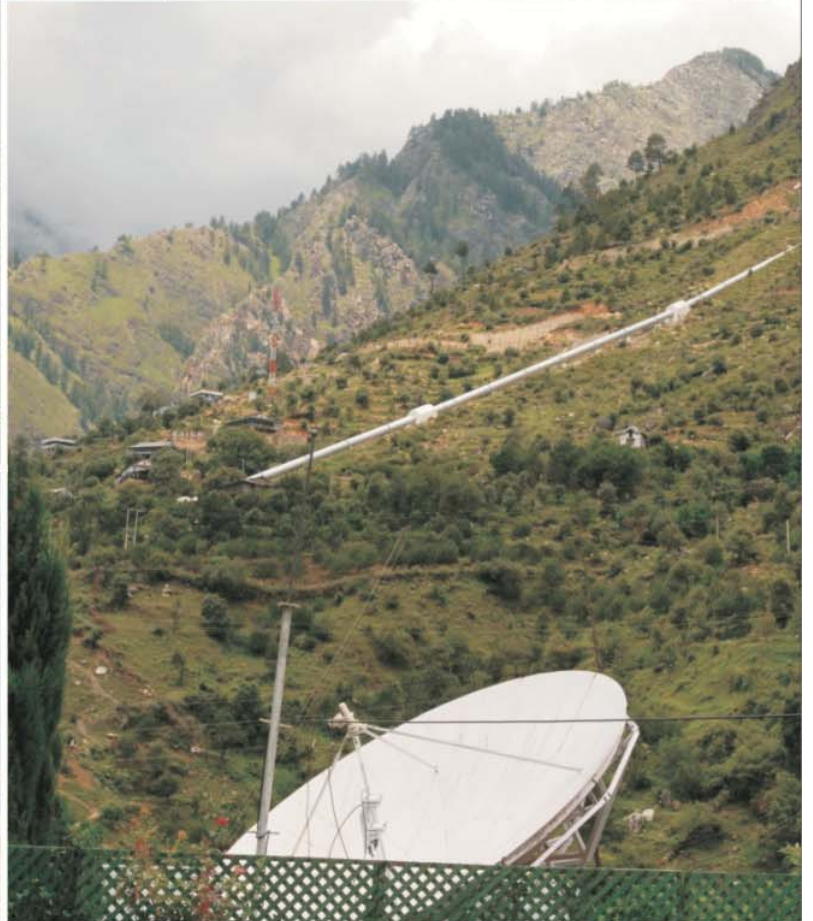


Annual Report 2007-2008



The power to enrich lives





CONTENTS

Chairman's Message	2
Corporate Information	5
Directors' Report	6
Annexures to the Directors' Report	12
Auditors' Report	13
Balance Sheet	16
Profit & Loss Account	17
Schedules	18
Cash Flow Statement	34
Balance Sheet Abstract	36
Financial Statement of Subsidiary Company	37
Report of the Subsidiary Company (AD Hydro Power Limited)	38



CHAIRMAN'S MESSAGE

"At MPCL, we are committed to securing the power needs of the country by developing fast-track, clean energy plants."



Dear Shareholder,

In the past few years, the Indian economy has been growing at an impressive clip of around 9%. But with the recent global economic downturn, spiraling oil prices, inflationary pressures and stiff interest rates, there are signs of a slowdown. Even then, India is expected to buck world wide trends, and record around 8% economic growth in 2008-09. By 2035, India is likely to become a larger growth driver than the six largest countries in the European Union; and is expected to overtake Japan as the world's third major economic power within ten years.

India's strong future growth potential is placing heavy demands on the power sector, which needs to maintain a 10 to 12% growth rate to sustain that level of economic development. This works out to India needing a minimum 12,000 MW of additional capacity every year. By 2031-32, India's power needs are estimated at 960,000 MW, up from 144,000 MW today.

India is a power-deficit country with an energy short fall of about 9.9% and a peak shortage of 13.5% (2006-07¹). The energy gap is expected to rise to 240,000 MW in 2031-32. Although the government has a blueprint for "Power for All by 2012", capacity addition during the 10th Five-Year Plan (current) is short of its target by a whopping 48%.

The challenge before the country, therefore, is to become a power surplus state by developing an energy mix that's renewable, environment friendly and with a good cost-benefit ratio.

Of the different energy options, water is one of the more viable alternatives. Unlike fossil fuels, hydro power has a lighter environment footprint, is relatively cheaper to produce and available in abundance.

India is richly endowed with hydro resources, potentially assessed to be about 84,000 MW at 60% load factor. However, only about 15% of this potential has been harnessed so far, and 7% is under various stages of development. Thus, 78% of the total potential remains to be tapped.

At MPCL, we are committed to securing the power needs of the country by developing fast-track, clean energy plants.

The year for MPCL

The current fiscal has been quite fruitful for MPCL. Turnover shot up to Rs. 1,348.84 million from Rs. 747.22 million in the previous year – a 55% jump. Net profit climbed to Rs. 828.82 million as against Rs. 259.63 million in the previous year. The impressive increase in profitability can be attributed to trend-setting reforms in the power sector, unbundling of state electricity boards, open access to transmission and distribution, and providing customers with a choice of suppliers. The new Electricity Act 2003 also helped, as it recognizes trading as a distinct activity in creating an efficient market for short term power contracts. Based on the new market dynamics, we expect to realize better tariffs in the coming years.

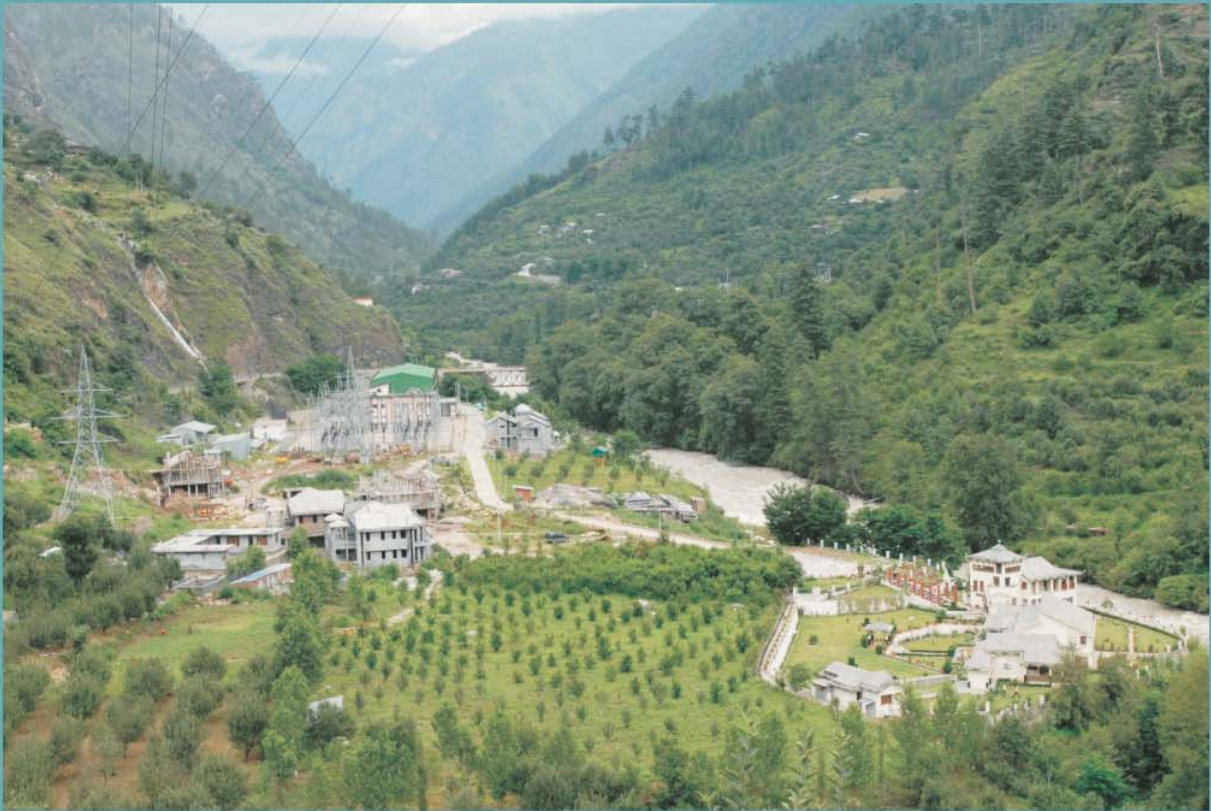
We have initiated measures to enhance machine capacity during the monsoon months for utilizing the river discharge, in excess of present machine requirements. This measure is expected to increase generation substantially during the rainy season. We have also taken steps to sell carbon credits, which have accrued to the Company.

During the year, MPCL won the bid to develop the 200 MW Barabhanghal hydro-electric power project in Chamba district of Himachal Pradesh. The project will be developed jointly with our long standing partner, S N Power, Norway. The detailed project report and technical studies have already commenced.

Since inception, MPCL has been a strong votary of inclusive growth and capacity building of the less advantaged sections of society – a commitment that's goes beyond the call of duty. We are committed to improving the quality of lives by bridging economic and human development gaps. Our social initiatives in the fields of education, healthcare, infrastructure development and employment generation are beginning to make a positive difference to the communities where our projects are based.

On behalf of the Board of Directors, I would like to express our grateful thanks to the State Government of Himachal Pradesh, Himachal Pradesh State Electricity Board, the Government of India, Power Trading Corporation, financial institutions and banks, various departments of the State and Centre for their encouragement and support. I would also like to salute the skill, commitment and hard work of our employees.

Ravi Jhunjhunwala
Chairman & Managing Director



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman & Managing Director

Ravi Jhunjhunwala

Directors

L. N. Jhunjhunwala
Einar Stenstadvold
Kamal Gupta
Øistein Andresen
R. P. Goel
Bidyut Shome

KEY EXECUTIVES

O. P. Ajmera President & Chief Financial Officer
V. D. Bhatia Vice President - Operations
T. Swaminathan General Manager - Operations

COMPANY SECRETARY

Bharat Singh

STATUTORY AUDITORS

S. R. Batliboi & Associates, Gurgaon

INTERNAL AUDITORS

Ashim & Associates, New Delhi

TECHNICAL CONSULTANTS

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

BANKERS

Axis Bank Ltd.
State Bank of India
Yes Bank Ltd.
Centurion Bank of Punjab Ltd.
Punjab National Bank
Punjab & Sind Bank
ICICI Bank Ltd.
The Jammu & Kashmir Bank Ltd.
Standard Chartered Bank
State Bank of Patiala

CORPORATE OFFICE

Bhilwara Towers
A-12, Sector - 1, Noida - 201 301 (U.P.)
Phone: 0120-2541810/4390300
Fax: 0120-253 1648/745
Website: www.malanpower.com

REGISTERED OFFICE & WORKS

Village Chowki, P.O. Jari
Distt. Kullu (H.P.)
Phone: 01902-276074 to 78
Fax: 01902-276078
Email: mpcljari@sancharnet.in

LIAISON OFFICE

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

Annual Report 2007-2008

DIRECTORS' REPORT

TO THE MEMBERS

The Directors of the Company are pleased to present their Eleventh Annual Report on the business and operations of the Company and audited statement of accounts for the year ended 31st March, 2008 together with the Auditors' Report.

FINANCIAL PERFORMANCE	(Rs in Million)	(Rs in Million)
Particulars	For the Year ended 31.03.2008	For the Year ended 31.03.2008
TOTAL TURNOVER	1,348.840	747.218
Less : Discount on prompt payments	26.723	14.606
Net Sales	1,322.117	732.612
Other Income	24.339	43.178
Total Income	1,346.456	775.790
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX	1,204.469	640.272
Interest	123.255	132.342
PROFIT BEFORE DEPRECIATION AND TAX	1,081.214	507.930
Depreciation	202.723	107.742
Profit Before Tax	878.491	400.188
Provision for Tax		
- Current Tax	99.533	
- MAT credit reverse	25.299	21.528
- Tax for earlier years	23.373	(25.299)
- Deferred Tax	(98.887)	143.561
- FBT/WT Tax	1.350	0.772
NET PROFIT AFTER DEPRECIATION AND TAX (PADIT)	827.823	259.626
Balance brought forward from previous year	752.099	502.190
AMOUNT AVAILABLE FOR APPROPRIATION	1579.922	761.816
APPROPRIATION	(64,909)	9,717
Transfer to debenture redemption reserve adj. for Employee Benefits provision (net of tax Rs.141000)	1104	-
Total	(63.805)	9.717
Surplus carried to Balance Sheet	1,643.727	752.099
Basic and diluted Earning Per Share (EPS) (In Rs.)	6.28	1.98

Your Company continued its rapid growth during the year and the turnover of the Company stood at Rs. 1348.840 million. The Profit after Tax increased to Rs. 827.823 million as against the Profit after Tax of Rs. 259.626 million recorded during the previous year. The cash profits from the the business also increased to Rs. 956.958 million from Rs. 482.018 million.

DIVIDEND

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

POWER BUSINESS

Operational Performance

During the period under review, the plant availability touched 99.34% and as per the available hydrology data, the generation stood at 339.825 million units.



There was a shutdown of the plant for a period of 3 days in the first quarter of the year under review due to maintenance activities. An expenditure of Rs. 2 million was incurred on repairs during the period. The operation data for the year is given below:

(In Million Units)

S. No	Particulars	2005-06	2006-07	2007-08
1.	Total Generation	340.221	326.993	339.825
2.	Less: Auxiliary Transmission Loss	3.915	3.688	3.732
3.	Less: Royalty/ Wheeling to Govt. HPSEB	61.880	59.488	61.841
4.	Total Unit sold	274.400	265.358	273.827

Measures to Enhance Generation

To utilize surplus water during the monsoon months i.e. from mid-June to mid-September every year, the Company has undertaken certain measures like increasing the stroke of injectors and replacing the existing runners by new upgraded ones. This exercise will be carried out in two phases.

In the first phase, the generating capacity will be enhanced by 4%, by increasing the stroke of injectors. In the second phase, the capacity of the machine will be enhanced by 6% by replacing the existing runners with new, upgraded ones.

These measures are expected to increase generation by

7 million units over and above the 20% continuous overloading capacity of the machine during the monsoon months.

Power Sales

During the current year, the Company recorded a sale of 273.826 million units as against 265.358 million units in the previous year. The Company has been selling its generated power to Power Trading Corporation (PTC) on a short term contract basis. The present contract with PTC is expiring on 30th June, 2008. Your Directors are pleased to inform you that the Company has already entered into contract with PTC for another one year from July, 2008 to June, 2009. The Company is likely to improve its financial performance in the financial year, 2008-09 due to the higher price at which new selling arrangements have been concluded and by sustaining the generation due to repair and maintenance carried out during the year. The Company has finalised sale of Malana Power to Punjab through Power Trading Corporation for the period July, 2008 to June, 2009 at an impressive tariff, which would increase the profit figures for the Company substantially.

Future Projects

The Company envisages expanding its generation capacity by building, commissioning and operating new hydro electric projects. The Company is geared to meet the future challenges in the hydro power sector and is ready to translate them into lucrative business opportunities.

THE FUTURE OUTLOOK-INDIAN POWER SECTOR

The market fundamentals are strong as India continues to experience acute supply shortages both in terms of total energy and peak capacity. With the Indian economy growing at more than 8 to 9 percent annually, the demand for power has been outstripping supply. The Company believes that the power demand and supply gap will widen further with the growing economy and continue to do so over the next few years. India continues to experience acute shortages in energy supply (9.9%) and peak capacity (16.6%). Even under conservative assumptions (i.e. conservative demand growth assumptions and aggressive capacity addition and supply availability



Annual Report 2007-2008

assumptions), these shortages are forecast to continue for the foreseeable future. India's economy is growing at 8-9% and current per capita consumption is at 631kWh, substantially below that of China (2,149kWh) and Brazil (1,955kWh). Both energy demand and peak demand are expected to grow at between 7-8% up to 2017 and at 6-7% thereafter. In response, India's 11th 5-year Plan (2007-2012) calls for additional capacity of 78,577MW and its 12th Plan (2012-2017) calls for a further 82,200MW. However, to date, India has never fulfilled its ambitions, achieving less than 50% of planned addition in its last three Five-year Plans; and adding just 19GW capacity in the ten years from 1997-2007 in comparison to China, which added 200GW in the same period.

National Supply & Demand: Situation

Historical Energy Demand Supply Scenario							
		FY03	FY04	FY05	FY06	FY07	FY08
Energy Demand	MU	545983	559264	591373	631757	697961	737052
Energy Availability	MU	497890	519398	548115	578819	624495	664660
Energy Deficit	MU	48093	39866	43258	52938	73466	72392
Energy Deficit	%	8.8%	7.1%	7.3%	8.4%	10.6%	9.8%
Peak Demand	MW	81492	84574	87906	93255	100715	108886
Peak Availability	MW	71547	75066	77652	81792	86818	90793
Peak Deficit	MW	9945	9508	10254	11463	13897	18093
Peak Deficit	%	12.2%	11.2%	11.7%	12.3%	13.8%	16.7%

Source: CEA

The 2003 Electricity Act introduced a broad swathe of reforms, including unbundling of State Electricity Boards; open access to transmission and ability to develop private transmission projects; and open access to distribution, providing customers with a choice of suppliers. The Act also recognized trading as a distinct activity and several private companies have entered the trading market. Trading companies create efficient markets for short-term power contracts. These key changes coupled with continued shortages have given a boost to the concept of a merchant power market.

Volumes of electricity traded by the trading community has increased rapidly (12% CAGR) in the last three years to 15,022GWh in 2006-07.

With the ongoing gap between peak supply and demand, marginal prices are driven by consumer willingness to pay. This has increased in recent years due to: (i) increased end consumer willingness to pay as captive power production is becoming more expensive and the opportunity cost of black-outs during this period of economic growth is high; (ii) the credit situation of most State Electricity Boards ("SEBs") is improving as a result of unbundling, better collection rates, rising tariffs, and a reduction in the gap between average tariff and average cost of supply; (iii) a lower political tolerance to load-shedding and greater inter-state competition to attract commercial activity with the promise of reliable power; (iv) unscheduled interchange charges have now been introduced to control unscheduled withdrawal of power during peak hours, with the



penalty/benefit for over/under drawing being determined by the frequency (Hz) of the system and reaching a maximum of INR 10/kWh at frequencies of less than 49.2Hz.

For merchant plants, the tariffs are set by supply and demand at the margin of the market and with the shortfall in supply forecast to continue, the SEBs willingness to pay will drive pricing. As mentioned above, multiple factors have driven the willingness to pay and the average tariff price traded.

HUMAN RESOURCE DEVELOPMENT

The Company's human resource development strategy focuses on building the competence, commitment and motivation of employees. The focus of recruitment is to employ people with a combination of knowledge, skill, experience and attitude in line with the organisation's requirements through an appropriate manpower plan. The Company recognizes the serious dearth of trained and expert personnel in the power sector. With the expansion of the power market, there is a growing requirement for not just qualified engineers, but also for finance, marketing, commercial, IT and HR professionals.

The Company recognizes the human resource as the key component for facilitating an organization's growth and regularly invests in augmenting it with the latest tools, equipments and techniques for becoming an attractive employer in the industry.

The Company is also committed to providing a zero injury workplace to its employees and workers all across its units. The security of employees is one of the prime concerns of the management. The subsidiary, AD Hydro Power Ltd (ADHPL), is struggling to reach such standards and the management and Board of ADHPL are introducing measures to deal with the situation. Employees are adequately covered under various insurance policies against risk of health and life disasters. MPCL is also committed to becoming an attractive employer in the industry. The Company continues to empower its employees to achieve business successes.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has established adequate internal control systems in all areas of operations, regularly checked by both

external and internal auditors who have access to all records and information. We also maintain a system of internal control designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial control and compliance with applicable laws and regulations. The Company is continuously upgrading these systems in line with the best available practices. Audit Committee meetings are held where these reports and variance analysis are discussed and action taken. Operational reports are tabled at the Board meetings after discussions at the Audit Committee meetings.

INTERNAL AUDIT

Internal Audit at MPCL is an independent, objective and assurance function, conscientious for evaluating and improving the effectiveness of risk management, control, and governance processes. The function prepares annual audit plans based on risk management and conducts extensive reviews covering financial, operational and compliance controls and risk mitigation. Areas requiring specialized knowledge are reviewed in partnership with external experts.

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

ENVIRONMENT RESPONSIBILITY

Your Company realizes that the resources of Mother Earth are limited. So we are constantly striving towards innovative eco-solutions. To conserve and replenish the environment, the Company has planted 85,000 fast growing and 900 fruit trees around the project area. We are also planning to sow 20,000 trees in the next two years. The disposal of hazardous waste is being done as per approved standard/norms of the Pollution Control Board.



The Company has also contributed towards protection of slopes and banks to prevent soil erosion and loss of land. With safety, health and environment protection high on its corporate agenda, the Company is committed to conducting business with a strong environment conscience, so as to ensure sustainable development, a safe work place and enrichment of the quality of life of its employees and the community.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to ensuring that our business is conducted in all respects according to rigorous ethical, professional and legal standards. We recognise that our business activities have direct and indirect impacts on the societies in which we operate. Our effort is to manage these challenges in a responsible manner. We believe that sound and demonstrable performance in relation to corporate social responsibility and practices is a fundamental part of business success.



We are committed to providing a work environment, which is both safe and fit for the intended purpose and ensures that health and safety issues are a priority for all business operations.

As a constructive partner in the communities in which we operates, we have been taking concrete actions to realize our corporate social responsibility objectives. We have invested in infrastructure development including construction, widening of roads and strengthening and construction of bridges.

Your Company assessed and prioritized the felt needs of the local community and took initiatives like renovation of temples, construction of school and hospital buildings to improve the educational and health status of the region. To make our efforts sustainable, we have been providing teachers to the local Government school and free medicines to the villagers.

DISCLOSURE OF PARTICULARS

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

Annual Report 2007-2008



PARTICULARS OF EMPLOYEES

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) That the accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the financial year 2007-2008;
- iii) That the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the annual accounts have been prepared on an on going basis.

DIRECTORS

Mr. Bidyut Shome was appointed as additional Director of the Company with effect from 5th February, 2008, until the conclusion of the next annual general meeting. The Board recommends the appointment of Mr. Bidyut Shome on the Board of the Company.

Mr. R. P. Goel and Mr. Kamal Gupta, Directors retire by rotation and being eligible, offer themselves for reappointment. During the year, Mr. Leiv Pedersen resigned from the Board of Directors of the Company on 5th February, 2008. The Board of Directors wish to place on record their appreciation towards the

contribution made by Mr. Leiv Pedersen as a member of the Board.

AUDIT COMMITTEE

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

SUBSIDIARY Company

AD Hydro Power Ltd, a subsidiary Company, is in the process of developing 192 MW hydro electric project in the state of Himachal Pradesh. The Company had started the construction of the project in early 2005 and the project is likely to be operational by November, 2009.

The Annual Report for the year 2007- 08 and Accounts for the year ended on March, 08 as required under Section 212 of the Companies Act, 1956 of the said subsidiary Company are attached.

AUDIT REVIEW

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

REDEMPTION OF DEBENTURES

During the financial year 2007-2008, debentures amounting to Rs. 512.778 millions have been redeemed.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, the inflow of foreign exchange was nil and outflow of foreign exchange was Rs. 7.600 million (Equivalent of US\$ 0.190 million).

PREFERENTIAL ISSUE

During the year, pursuant to the Provisions of the Companies Act, 1956 and upon receipt of necessary approval of members,





the Company allotted 42,00,889/- Equity shares of Rs. 10/- each at a premium of Rs. 125/- per share fully paid up to Bhilwara Energy Limited and 40,36,147/- Equity shares of Rs. 10/- each at a premium of Rs. 125/- per share fully paid up to S N Power Holding Singapore Pte Ltd on a preferential basis.

PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year under report. Information required to be disclosed under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 has been given in Part (B) of the Annexure forming part of this Report.

CORPORATE GOVERNANCE

Your Company has adopted the doctrine of corporate governance to ensure greater transparency, accountability and integrity in the affairs of the Company. For MPCL, corporate governance is a self disciplinary code aimed at best practices and achieving a value driven organization. The values of governance code underscore the corporate mission objective, which in turn, determines the course of action of each employee of the organization. A Code of Conduct giving ethical guidance and setting clear limits on how individual officers of the Company shall face ethical dilemmas is in place.

The majority of the Board comprises Non-Executive Directors who play a critical role in imparting balance to the Board processes by bringing an independent judgement to bear on issues of strategy, performance, resources, standards of Company conduct, etc. The Audit Committee of the Board meets regularly and provides assurance to the Board on the adequacy of internal control systems and financial systems. The corporate governance policy followed by the Company represents the value framework, the ethical framework and the moral framework under which business decisions are taken.

AUDITORS

M/s. S.R. Batliboi & Associates, Chartered Accountants have conveyed their unwillingness for re-appointment as statutory auditors of the Company for the financial year ending on 31st

March, 2009. The Company has also received a consent letter from S.R. Batliboi & Co. Chartered Accountants under section 224(1) (b) of the Companies Act, 1956, being eligible and showing willingness for their appointment as statutory auditors of the Company for the financial year ending on 31st March, 2009. The Board recommends the appointment of M/s. S.R. Batliboi & Co. Chartered Accountants as Statutory Auditors of the Company.

AUDITORS' REMARKS

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

ACKNOWLEDGEMENTS

Your Directors record their grateful appreciation of the encouragement, assistance and co-operation received from shareholders, Ministry of Power, Government of Himachal Pradesh, Himachal Pradesh State Electricity Board, Haryana State Electricity Board, Punjab State Electricity Board, Power Trading Corporation Limited, commercial banks, financial institutions and other Government departments. We thank them for the trust reposed in the Management and wish to thank all employees for their commitment and achievements. We look forward to their continued support and cooperation in the coming years as well. Your Directors are also appreciative of the generous support provided by the debenture holders.

For and on behalf of the Board of Directors

Ravi Jhunjhunwala
Chairman and Managing Director

Place : Manali
Date : 28th May, 2008



Annual Report 2007-2008

ANNEXURES TO THE DIRECTORS' REPORT

ANNEXURE - I

Statement of particulars pursuant to the Companies
(Disclosure of particulars in the Report of Board of Directors) Rules, 1988

1. Conservation of energy - nil
2. Technology absorption - nil
3. Foreign exchange earnings and outgo

I) Foreign Exchange Outgo	This Year	Previous Year Rs. In Million
a) Import of Components/Spares (CIF value)	-	-
b) Travel Expenses	6.03	2.540
c) Professional Expenses	1.567	1.198
Total	7.600	3.738

II) Foreign Exchange Earnings

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

ANNEXURE - II

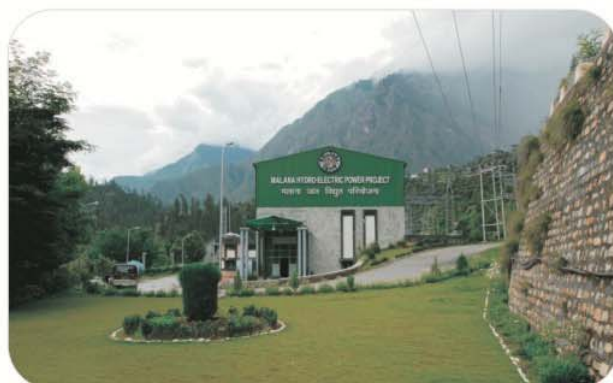
Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of Directors' Report for the year ended 31st March 2008 are given hereunder:

I. Persons employed for the full year

Name	Designation	Remuneration (Rs. in Million)	Qualification	Experience	Age	Date of Commencement of Employment
Mr. Ravi Jhunjhunwala	Chairman & MD	17.934	B.Com (Hons) & MBA	28	53	01.11.2001

II. Persons employed for the part of the year

Name	Designation	Remuneration (Rs. in Million)	Qualification	Experience	Age	Date of Commencement of Employment
Mr. A. B. Giri	CEO	5.902	BE, MBA	39	64	1.03.2007





AUDITORS' REPORT

To

The Members of Malana Power Company Limited

1. We have audited the attached Balance Sheet of Malana Power Company Limited as at March 31, 2008 ('the Company') and also the Profit and Loss account and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit
 2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations; which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books .
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account.
- iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No. : 82028

Place : Manali

Date : 29th May, 2008

Annexure referred to in paragraph 3 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.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, provisions of clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (e) The Company had taken interest free loan from one company covered in the register maintained under section 301 of the Companies Act, 1956: The maximum amount involved during the year was Rs. 252,630 thousand and the year-end balance of loans taken from such party was Rs. 252,630 thousand
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company. The loan taken is interest free.
- (g) The loans taken are re-payable on demand. As informed, the lenders have not demanded repayment of any such loan during the year. Thus, there has been no default on the part of the company. The loan taken is interest free.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of power. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1 X d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and



- explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by its subsidiary from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment
- (xviii) The Company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act. In our opinion the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) According to the information and explanations given to us, the Company has created security or charge in respect of debentures outstanding during the year .
- (xx) During the year under review, the company has not raised money through public issue; hence clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

per RAJ AGRAWAL

Partner

Membership No. : 82028

Place : Manali

Date : 29th May, 2008

BALANCE SHEET AS AT 31st MARCH 2008

		(Rs.'000)	
	SCHEDULE	31.3.2008	31.3.2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	1,391,702	1,309,331
Reserves and surplus	2	3,878,850	2,022,501
		5,270,552	3,331,832
Loan Funds			
Secured loans	3	1,130,588	1,434,434
Unsecured loans	4	752,630	-
		1,883,218	1,434,434
Deferred Tax Liability (net)	5	223,698	322,585
TOTAL		7,377,468	5,088,851
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	6	3,286,337	3,288,745
Less : Accumulated Depreciation		795,685	595,244
Net block		2,490,652	2,693,501
Capital Work in Progress (including capital advances)		24,423	12,704
		2,515,075	2,706,205
Investments	7	3,538,500	2,050,500
Current Assets, Loans and Advances			
Inventories	8	19,581	19,186
Sundry debtors	9	29,607	16,920
Cash and bank balances	10	33,722	227,321
Other current assets	11	29	870
Loans and advances	12	1,304,061	96,515
		1,387,000	360,812
Less: Current Liabilities and Provisions			
Current Liabilities	13	21,160	24,477
Provisions	14	41,947	4,189
		63,107	28,666
Net Current Assets		1,323,893	332,146
TOTAL		7,377,468	5,088,851
Notes to Accounts	20		

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

As per our report of even date

S.R.Batliboi & Associates

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No. : 82028

Place : Manali

Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJUNWALA

ØISTEIN ANDRESEN

BHARAT SINGH

Chairman & Managing Director

Director

Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

		(Rs.'000)	
	SCHEDULE	31.3.2008	31.3.2007
INCOME			
Turnover		1,348,840	747,218
Less : Discount on prompt payments		26,723	14,606
Turnover (net)		1,322,117	732,612
Other income	15	24,339	43,178
TOTAL		1,346,456	775,790
EXPENDITURE			
Wheeling Cost		17,141	16,489
Personnel expenses	16	32,005	23,496
Operating and other Expenses	17	92,841	95,533
Depreciation	6	202,723	107,742
Financial expenses	18	123,255	132,342
TOTAL		467,965	375,602
Profit before tax		878,491	400,188
Current Tax		99,533	21,528
MAT credit entitlement (availed) / reversed		25,299	(25,299)
Tax for earlier years		23,373	-
Deferred tax charge / (credit)		(98,887)	143,561
Fringe benefit tax		1,300	700
Wealth tax		50	72
Total tax expense		50,668	140,562
Net Profit for the year		827,823	259,626
Balance brought forward from previous year		752,099	502,190
Profit available for appropriation		1,579,922	761,816
APPROPRIATION:			
Transfer to/(from) debenture redemption reserve		(64,909)	9,717
Adjustment for Employee Benefits provision (net of tax Rs. 141 thousand) (Refer to note no 2(c) of schedule 20)		1,104	-
TOTAL		(63,805)	9,717
Surplus carried to balance sheet		1,643,727	752,099
Earnings per share (In Rupees)			
- Basic/Diluted (Nominal value Rs. 10 per share)	19	6.28	1.98
Notes to Accounts	20		

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

As per our report of even date

S.R.Batliboi & Associates

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No. : 82028

Place : Manali

Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA

ØISTEIN ANDRESEN

BHARAT SINGH

Chairman & Managing Director

Director

Company Secretary

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1: SHARE CAPITAL

	(Rs.'000)	
	31.3.2008	31.3.2007
Authorised	1,400,000	1,350,000
140,000,000 (Previous year 135,000,000) equity shares of Rs.10 each		
Issued and Subscribed		
139,170,176 (Previous year 130,933,140) equity shares of Rs.10 each	1,391,702	1,309,331
Paid -up		
139,170,176 (Previous year 130,933,140) equity shares of Rs.10 each, fully paid up *	1,391,702	1,309,331
*Of the above 70,976,739 (Previous year 66,775,850) equity shares are held by Bhilwara Energy Ltd., the holding company		
	1,391,702	1,309,331

SCHEDULE 2: RESERVES AND SURPLUS

	(Rs.'000)	
	31.3.2008	31.3.2007
Securities Premium Account		
Balance as per last account	1,180,493	1,180,493
Add: Received during the year	1,029,630	2,210,123
		-
		1,180,493
Debenture Redemption Reserve		
Balance as per last account	89,909	80,192
Transferred (to)/from profit and loss account	(64,909)	25,000
		9,717
		89,909
Profit and Loss Account	1,643,727	752,099
	3,878,850	2,022,501

SCHEDULE 3: SECURED LOANS

	(Rs.'000)	
	31.3.2008	31.3.2007
Debentures		
Redeemable Non-Convertible Debentures of Rs.1000 thousand each (Refer Note 1 below)	100,000	152,778
Redeemable Non-Convertible Debentures of Rs.10,000 thousand each (Refer Note 2 below)	-	460,000
Loans and advances from banks		
Term loans		
- Rupee loans	966,748	738,248
- Foreign currency loans	63,840	1,030,588
	1,130,588	1,434,434

Notes:

- Redeemable Non-Convertible Debentures (NCD) are secured by way of first mortgage and charge on land situated at village Budasan (Gujarat) together with all estate rights etc. present & future of the Company and further secured by irrevocable and unconditional guarantee extended by Infrastructure Leasing & Financial Services Ltd. (IL&FS). The aforesaid guarantee of IL&FS is secured by way of first charge on all immovable and movable properties, present and future, of the Company on pari-passu basis.
150, 7.75% debentures of Rs.1,000 thousand each privately placed with General Insurance Corporation Ltd., New India Assurance Ltd. and Punjab National Bank equally and 100, 7.865% debentures of Rs.1,000 thousand each privately placed with Bank Of Baroda were redeemable at par in 36 equal quarterly instalments commencing from 31st December 2003. However, the above debentures were subject to a call and put option exercisable by the debenture holders or the Company respectively in November 2007. New India Assurance Ltd (NIA) exercised the call option and 50 debentures of Rs 1 crore each held by NIA were redeemed completely during the year (Rs 389 thousand per debenture was paid upto previous year). Other debenture holders opted to hold the debentures and repayment is being made as per the schedule. Redemption of Rs 500 thousand (previous year Rs 389 thousand) on each debenture has been made till date.
- 54, 8.52% Redeemable Non Convertible Debentures (NCD) of Rs. 1 crore each privately placed with Infrastructure Development Finance Company Limited (IDFC). These debentures were secured by way of first mortgage and charge on land situated at village Budasan (Gujarat) together with all estate rights etc. present & future of the Company. They were further secured by a first charge on the whole of the immovable and movable properties, both present and future of the company on pari-passu basis. These debentures were redeemable at par in 27 quarterly installments commencing on 15th April 2006. However, the company redeemed completely these debentures during the year (Rs 1481 thousand per debenture was paid during the previous year). All charges created as securities against the said debentures have been released by IDFC.
- Term loans from various banks/financial institutions are secured by way of first mortgage/charge on all the immovable properties wherever situated and hypothecation of all other assets, rights etc. present & future of the company on pari-passu basis.
- Debentures and loans and advances from banks aggregating to Rs. 248,700 thousand (Previous year Rs. 258,179 thousand) are repayable within one year.

SCHEDULE 4 : UNSECURED LOANS

	(Rs.'000)	
	31.3.2008	31.3.2007
Short-term loans & advances		
- From banks	500,000	-
Long-term loans & advances		
- From holding company (interest free)	252,630	-
	752,630	-

SCHEDULE 5 : DEFERRED TAX LIABILITY (NET)

	(Rs.'000)	
	31.3.2008	31.3.2007
Deferred Tax Liabilities		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	224,388	518,972
Gross Deferred Tax Liabilities	224,388	518,972
Deferred Tax Assets		
Brought forward unabsorbed depreciation	-	196,131
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	690	256
Gross Deferred Tax Assets	690	196,387
Net Deferred Tax Liability	223,698	322,585

SCHEDULE 6: FIXED ASSETS

	(Rs.'000)												
	Land-Freehold	Road & Building	Civil Works	Transmission Lines	Plant & Machinery	Furniture & Fittings	Office & Other Equipments	Vehicles	Total Tangible Assets	Software	Total Intangible Assets	Total	Previous Year
Gross Block													
At 01.04.2007	21,517	224,958	1,847,265	199,670	956,476	5,071	8,174	13,951	3,277,082	11,663	11,663	3,288,745	3,290,391
Additions	-	-	-	-	436	1,111	690	850	3,087	-	-	3,087	17,404
Deductions / Adjustments	-	-	-	-	846	447	105	4,097	5,495	-	-	5,495	19,050
At 31.03.2008	21,517	224,958	1,847,265	199,670	956,066	5,735	8,759	10,704	3,274,674	11,663	11,663	3,286,337	3,288,745
Depreciation													
At 01.04.2007	-	41,502	264,182	59,495	209,343	3,060	4,243	5,469	587,294	7,950	7,950	595,244	495,968
For the year	-	7,572	120,356	10,549	58,910	485	1,476	2,003	201,351	1,372	1,372	202,723	107,742
Deletions / Adjustments	-	-	-	-	407	159	64	1,652	2,282	-	-	2,282	8,466
At 31.03.2008	-	49,074	384,538	70,044	267,846	3,386	5,655	5,820	786,363	9,322	9,322	795,685	595,244
Net Block 31.03.2008	21,517	175,884	1,462,727	129,626	688,220	2,349	3,104	4,884	2,488,311	2,341	2,341	2,490,652	2,693,501
Net Block 31.03.2007	21,517	183,456	1,583,083	140,175	747,133	2,011	3,931	8,482	2,689,788	3,713	3,713	2,693,501	
Capital Work in Progress													
Building under erection												24,423	5,979
Capital Advances												-	6,725
Sub Total												24,423	12,704
Total Fixed Assets	21,517	175,884	1,462,727	129,626	688,220	2,349	3,104	4,884	2,488,311	2,341	2,341	2,515,075	2,706,205

Notes :

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

SCHEDULE 7 : INVESTMENTS

(Rs.'000)		
	31.3.2008	31.3.2007
Long Term Investments (At Cost) In Subsidiary Company		
Unquoted		
353,850,000 (Previous year 191,050,000) Equity Shares of Rs.10 each fully paid of AD Hydro Power Limited (pledged with security trustee on behalf of lenders of AD Hydro Power Limited)	3,538,500	1,910,500
Share application money pending allotment in AD Hydro Power Limited *	-	140,000
	3,538,500	2,050,500

* due from a Company under the same management
(Maximum amount outstanding during the year Rs.1,468,000 thousand)
(Previous year Rs. 140,000 thousand)

SCHEDULE 8: INVENTORIES

(Rs.'000)		
	31.3.2008	31.3.2007
Stores and spares	19,581	19,186
	19,581	19,186

SCHEDULE 9: SUNDRY DEBTORS

(Rs.'000)		
	31.3.2008	31.3.2007
(Unsecured, Considered good)		
Outstanding for a period exceeding six months	-	-
Other debts	29,607	16,920
	29,607	16,920

SCHEDULE 10: CASH AND BANK BALANCES

(Rs.'000)		
	31.3.2008	31.3.2007
Cash on hand	386	342
Balances with scheduled banks:		
On current accounts	31,453	39,995
On deposit accounts	1,054	186,155
On margin money account	829	829
	33,722	227,321

Included in deposit accounts are :

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

SCHEDULE 11: OTHER CURRENT ASSETS

	(Rs.'000)	
	31.3.2008	31.3.2007
Interest accrued on deposits and others	29	870
	29	870

SCHEDULE 12: LOANS AND ADVANCES

	(Rs.'000)	
	31.3.2008	31.3.2007
Unsecured, considered good		
Loans to employees	1,302	1,809
Loans and advances to subsidiary company	416,070	-
Advances for project allotted	866,412	-
Advances recoverable in cash or in kind or for value to be received	17,462	27,176
MAT credit entitlement	-	25,299
Advance income tax / tax deducted at source (net of provision (Previous year Rs 21,528 thousand))	-	38,867
Deposits - others	2,815	3,364
	1,304,061	96,515
Included in Loans and Advances are :		
i. Dues from the company under the same Management HEG Limited (Maximum amount outstanding during the year Rs. 500 thousand (Previous year Rs. Nil thousand))	500	-
AD Hydro Power Limited (Maximum amount outstanding during the year Rs. 469,044 thousand (Previous year Rs. Nil thousand))	416,070	-

SCHEDULE 13: CURRENT LIABILITIES

	(Rs.'000)	
	31.3.2008	31.3.2007
Sundry creditors		
(a) Outstanding dues of Micro,Medium & Small Enterprises *	-	-
(b) Outstanding dues of creditors other than Micro,Medium & Small Enterprises (* Refer note no 14 of Schedule 20)	17,629	18,252
Deposits from contractors and others	1,683	1,749
Interest accrued but not due on loans	-	2,221
Other liabilities	1,848	2,255
	21,160	24,477

SCHEDULE 14: PROVISIONS

	(Rs.'000)	
	31.3.2008	31.3.2007
Provision for Fringe Benefit Tax (net of advance fringe benefit tax Rs. 1,876 thousand, Previous Year Rs. 642 thousand))	124	58
Provision for Wealth Tax	50	72
Provision for Income Tax (net of advance tax Rs. 111,454 thousand)	32,839	-
Provision for Gratuity	2,002	-
Provision for Leave encashment	2,030	752
Provision for Continuity Linked Bonus	4,902	3,307
	41,947	4,189

SCHEDULE 15: OTHER INCOME

	(Rs.'000)	
	31.3.2008	31.3.2007
Interest on bank deposits and others (Gross, Tax Deducted at Source Rs.1,169 thousand, Previous year Rs. 2,506 thousand)	5,250	21,636
Interest on income tax refund	1,133	-
Insurance claim	6,492	9,095
Foreign exchange fluctuation (net)	7,532	5,465
Profit on sale/discard on fixed assets	1,736	6,602
Miscellaneous income	2,196	380
	24,339	43,178

SCHEDULE 16: PERSONNEL EXPENSES

	(Rs.'000)	
	31.3.2008	31.3.2007
Salaries , wages and other expenses	26,912	19,385
Contribution to provident funds	1,315	1,208
Contribution to superannuation funds	886	361
Gratuity expenses	312	22
Workmen and staff welfare expenses	2,580	2,520
	32,005	23,496

SCHEDULE 17: OPERATING AND OTHER EXPENSES

	(Rs.'000)	
	31.3.2008	31.3.2007
Power and fuel	4,741	4,433
Repairs and maintenance		
- Plant and machinery	18,919	25,907
- Civil works	604	1,099
- Buildings	232	394
- Others	1,198	767
Rent	1,156	878
Rates and taxes	26	10
Insurance	15,143	15,733
Traveling & Conveyance	9,960	7,633
Director's remuneration	8,987	8,471
Commission to managing director	8,947	3,658
Auditor's remuneration :		
- Audit fee	562	457
- Other services	337	342
- Out of pocket expenses	19	21
Donations and contributions (other than to political parties)	3,603	34
Deferred revenue expenditure written off	-	3,655
Miscellaneous expenses	18,407	22,041
	92,841	95,533

SCHEDULE 18: FINANCIAL EXPENSES

	(Rs.'000)	
	31.3.2008	31.3.2007
Interest		
- On term loans and debentures	119,932	122,017
- On banks	5,648	7,340
Less : Interest recovered from Subsidiary Company	(5,163)	-
- Bank charges including guarantee commission	2,838	2,985
	123,255	132,342

SCHEDULE 19 : EARNINGS PER SHARE (EPS)

	(Rs.'000)	
	31.3.2008	31.3.2007
Net profit as per profit and loss account	827,823	259,626
Weighted average number of equity shares in calculating basic/diluted EPS	131,808,864	130,933,140
Basic & Diluted Earnings Per Share (in Rupees)	6.28	1.98



SCHEDULE – 20: NOTES TO ACCOUNTS

1. Nature of Operations

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

2. Statement of Significant Accounting Policies.

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires managements to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the date of financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Changes in accounting policy

Adoption of Accounting Standard AS15 (Revised) Employee Benefits

The Company has calculated the liability towards gratuity, continuity linked bonus and leave encashment as per the revised Accounting Standard – 15(AS-15) on 'Employee Benefits'. Accordingly the company has provided for gratuity, continuity linked bonus and leave encashment based on actuarial valuation done as per projected unit credit method. Further in accordance with the transitional provision in the revised accounting standard, Rs. 1,104 thousand (net of tax liability Rs.141 thousand) has been adjusted to the Profit and Loss appropriation account. This change is not having material impact on the profit for the current year.

(d) Fixed Assets

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

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

(e) Depreciation

- (i) On the assets of generating unit and other Plant & Machinery, depreciation is provided on straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- (ii) On fixed assets other than those covered under (i) above, depreciation is provided on written down value method at the rates prescribed in Schedule - XIV to the Companies Act, 1956.
- (iii) Depreciation on software is provided on written down value method at the rate of 40% per annum based on its estimated useful life.

(f) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long Term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of investments.

(g) Inventories

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

(h) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of Electricity

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

Interest

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

(i) Foreign currency translation

Foreign currency transactions

(i) Initial Recognition

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

(ii) Conversion

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

(iii) Exchange Differences

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

(iv) Forward Exchange Contracts

The premium or discount arising at the inception of forward exchange contracts is amortised as expenses or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(j) Retirement and other employee benefits

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

(ii) Gratuity liability is defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year.

(iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iv) Liability under continuity linked loyalty bonus scheme is provided for on actuarial valuation basis, which is done as per projected unit credit method.

(k) Income taxes

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



tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

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

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

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

(l) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting year. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(m) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(n) Cash and Cash equivalents

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

(o) Derivative Instruments

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

3. The Company is eligible for tax holiday under Section 80-IA of the Income Tax Act, 1961. In view of unabsorbed depreciation in the initial years, the Company has not availed the tax holiday benefit up to accounting year 2006-07. However, during the year, based on its present profitability, it has decided to avail the deduction from the current accounting year 2007-08 and will continue to avail it till 2015-16. In view of the decision to avail the tax holiday benefit, the MAT credit entitlement of Rs 25,299 thousand has been reversed during the year.
4. The Company is liable to pay Income-Tax for the year under the provisions of Section 115JB of the Income-Tax Act, 1961.
5. For the financial year 2005-06 and 2006-07, while calculating the book profit for computation of MAT, the deferred tax was reduced from the net profit. However, during the current year, the provisions of Section 115JB of the Income Tax Act were amended with retrospective effect and accordingly no rebate is allowable for deferred tax in the computation of book profit. Due to the change in the Income Tax Provisions with

ANNUAL REPORT 2007-2008

retrospective effect, the income tax liability for the year 2005-06 & 2006-07 was recalculated and accordingly a tax provision of Rs 23,373 thousand was made for earlier years.

6. During the year the company has not taken any derivative financial instruments such as forward exchange contracts to hedge its risk associated with foreign currency fluctuation.
7. Till the year 2006-07, the Company was charging the depreciation on straight line method at the rates prescribed by the Central Government under the Notification No. S.O.265 (E) dated 27th March, 1994 issued under the repealed Electricity Act, 1948. With the introduction of Electricity Act, 2003 the depreciation rates prescribed under erstwhile Notification No. S.O.266 (E) dated 29th March, 1994, issued under repealed Electricity Act, 1948 are no more in force. In view of this development, the Company has during the year, changed the rates of depreciation, from those prescribed vide Ministry of Power Notification of 1994 to the rates prescribed in Schedule XIV to the Companies Act, 1956 under the "Straight line method". These rates reflect the realistic useful life of the assets. Consequently, the depreciation charged to the profit and loss account is higher for the year by Rs. 96,524 thousands with the corresponding decrease in profit before taxation for the year.
8. The Company has the necessary permission from the Government of Himachal Pradesh to own, operate & maintain the project and sell power for a period of forty years from the date of commercial operation i.e. 5.7.2001 with the option to avail a further extension for a maximum period of twenty years after renegotiation of terms and conditions.
9. As the Company's business activity falls within a single primary business segment viz. Power generation, the disclosure requirements of Accounting Standard (AS-17) "Segment Reporting", issued by The Institute of Chartered Accountants of India are not applicable.
10. **Contingent Liabilities not provided for**
 - (a) Guarantee given for AD Hydro Power Limited, subsidiary company, amounting Rs. 450,000 thousand (Previous year Rs. 450,000 thousand).
 - (b) Claims made against the Company not acknowledged as debts-
 - (i) Demand from Divisional Forest Officer in respect of damages to forest trees Rs 3,421 thousand (Previous year - Rs. 3,421 thousand).
 - (ii) Demand of Stamp Duty and registration fees Rs. 40,990 thousand (Previous year Rs. 40,990 thousand).

The company has been advised that these cases are not probable to be decided against the Company and therefore no provision for the above is required.

11. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 645,509 thousand (Previous Year Rs 50,557 thousand).

13. Related Party Disclosure

(a) Name of related party

Holding Company	Bhilwara Energy Limited
Subsidiary Company	AD Hydro Power Limited
Enterprises having significant influence over the Company	SN Power Holding Singapore
Fellow Subsidiary Companies	Indo Canadian Consultancy Services Limited, Green Ventures Pvt. Limited
Key Management Personnel	Mr. Ravi Jhunjhunwala, Chairman & Managing Director
Relatives of key management personnel	Mr. Riju Jhunjhunwala (son of the Chairman & Managing Director) Mr. Rishab Jhunjhunwala (son of the Chairman & Managing Director)
Enterprises owned or significantly influenced by key management personnel or their relatives	HEG Limited, Rajasthan Spinning and Weaving Mills Limited.

(b) 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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Transactions during the year										
Rent										
a) Mr. Rishab Jhunjhunwala							1,646	1,551		
b) Mr. Riju Jhunjhunwala							1,646	1,551		
c) RSWM Limited									1,153	876
Consultancy service charges paid to Indo Canadian Consultancy Services Limited.			1,546	2,521						
Remuneration paid to Mr. Ravi Jhunjhunwala,					8,987	8,471				
Commission paid to Mr. Ravi Jhunjhunwala,					8,947	3,658				
Interest recovered from Indo Canadian Consultancy Services Limited			-	362						
Reimbursement of expenses paid to HEG Limited									823	1,171
Reimbursement of expenses paid to Rajasthan Spinning and Weaving mills Limited									828	-
Reimbursement of expenses paid to Indo Canadian Consultancy Services Limited			167	-						
Reimbursement of expenses paid to AD Hydro Power Limited			2,939	-						
Reimbursement of expenses recovered from AD hydro Power Limited			13,685	-						
Reimbursement of expenses recovered from Indo Canadian Consultancy Services Limited			683	-						
Share application money given to AD Hydro Power Limited (net)			-	130,216						
Shares acquired in AD Hydro Power Limited			1,628,000	-						
Allotment of Shares to Bhilwara Energy Limited	42,009	-								
Allotment of Shares to S N Power Holdings Singapore	40,361	-								
Securities Premium on Allotment of shares to Bhilwara Energy Limited	525,111	-								
Securities Premium on Allotment of shares to S N Power Holdings Singapore	504,518	-								
Unsecured Loan taken from Bhilwara Energy Limited	252,630	-								
Unsecured Loan given to AD Hydro Power Limited			416,070	-						

ANNUAL REPORT 2007-2008

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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Interest Expense recovered on Unsecured loan given to AD Hydro Power Limited			5,163	-						
Sale of fixed assets to AD Hydro Power Limited			2,030	16,089						
Loans/Advance taken/received back (net) from Indo Canadian Consultancy Services Limited			-	6,244						
Balances outstanding as at the year end										
Balances Receivable:										
Investment in AD Hydro Power Limited			3,538,500	2,050,500						
Unsecured Loan given to AD Hydro Power Limited			416,070	-						
Interest amount on Unsecured Loan			5,163	-						
Balances Payable:										
SN Power Holding, Singapore	40	-								
Unsecured Loan taken from Bhilwara Energy Limited	252,630	-								
Indo Canadian Consultancy Services Limited			1,001	(28)						
Mr. Ravi Jhunjhunwala					8,947	3,658				
Guarantees given by the Company on behalf of AD Hydro Power Limited			450,000	450,000						

13. Supplementary Statutory Information

(Rs.'000)

	2008	2007
(a) Managing Directors Remuneration		
Salaries	5,225	4,925
Commission	8,947	3,658
Rent paid	3,135	2,955
Contribution to Provident Fund	627	591
	17,934	12,129

Notes:

- As the future liability for the gratuity and leave encashment is provided on actuarial basis for the company as a whole, the amount pertaining to the directors is not ascertainable and therefore, not included.
- Perquisites have been considered as per taxable value as per Income Tax Act, 1961.

	(Rs.'000)	
	2008	2007
(b) Computation of net profit in accordance with Section 198 read with Section 349 of the Companies Act, 1956 :		
Profit for the year before taxation as per Profit & Loss Account	878,491	400,188
Add: Depreciation as per Profit & Loss Account	202,723	107,742
Directors' remuneration	17,934	12,129
	1,099,148	520,059
Less: Depreciation u/s 350 of the Companies Act	202,723	154,273
Profit on sale of Fixed Assets	1,736	-
Net Profit in accordance with Section 198 and 349	894,689	365,786
Commission @ 1% of Net Profit	8,947	3,658
(c) Expenditure in foreign currency, net of TDS (cash basis)		
Travelling	6,033	2,540
Professional Services	1,567	1,198

14. The Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which came into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay them interest on overdue beyond the specified period irrespective of the terms agreed with the suppliers. As per the information available with the Company, none of the creditors fall under the definition of 'supplier' as per the Section 2(n) of the Act. In view of the above, the prescribed disclosures under Section 22 of the Act are not required to be made.

15. Gratuity and Other Post Employment benefit plans (AS 15- Revised)

The Company has a defined benefit gratuity plan. Gratuity (being administered by a Trust) is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement / termination / resignation. The benefit vests on the employee completing 5 years of service. The Gratuity plan for the Company is a defined benefit scheme where annual contributions are deposited to 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. Plan assets also include investments and bank balances used to deposit premiums until due to the insurance company.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans:

Profit and Loss Account

Net employee benefits expense (recognised in Employee Cost):

	(Rs.'000)
Particulars	For the year ended on March 31, 2008
Current Service Cost	338
Interest cost on benefit obligation	313
Expected return on plan assets	(177)
Net actuarial (gain)/ loss recognised in the period	(162)
Past service cost	-
Net benefit expense	312
Actual return on plan assets	216

Balance Sheet**Details of Provision for Gratuity:**

(Rs.'000)

Particulars	As At March 31, 2008
Defined benefit obligation	4,000
Fair value of plan assets	1,998
	(2,002)
Less: Unrecognised past service cost	-
Plan asset / (liability)	(2,002)

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

Particulars	As At March 31, 2008
Opening defined benefit obligation	3,907
Interest cost	313
Current service cost	338
Benefits paid	(435)
Actuarial (gains)/ losses on obligation	(123)
Closing defined benefit obligation	4,000

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

Particulars	As At March 31, 2008
Opening fair value of plan assets	2,217
Expected return	177
Contributions by employer	-
Benefits paid	(435)
Actuarial gains / (losses)	39
Closing fair value of plan assets	1,998

The Defined benefit obligation amounting to Rs. 4,000 thousand is funded by assets amounting to Rs. 1,998 thousand and the Company expects to contribute Rs. 2,002 thousand during the year 2008-09.

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

Particulars	As At March 31, 2008
	%
Investments with insurer	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. There has been significant change in expected rate of return on assets due to the improved stock market scenario.

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

Particulars	As At March 31, 2008
	%
Discount Rate	8.00
Expected rate of return on assets	8.00
Future Salary Increase	5.50
Withdrawal rate	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.

The current year being the first year of adoption of Accounting Standards – 15 (Revised 2005) by the Company, the previous year's comparative information has not been furnished. As the Company has adopted AS 15 Revised for the current reporting period, experience adjustments on plan assets and liabilities cannot be determined for previous periods. There were no experience adjustments for the current period.

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

Particulars	Value08
Foreign Currency Loan	Rs. 63,840,000(USD 1,920,000 @ closing rate of 1USD=Rs. 39.90)

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

a) Information in respect of Generation and Turnover:

(Rs.'000)

		2008	2007
(i) Installed capacity (technically estimated)		86 MW	86 MW
(ii) Generation	M.U.	339.825	326.993
(iii) Less:- Auxiliary Consumption and Associated Transmission Loss	M.U.	3.732	3.688
Free Energy to Govt. of H.P.	M.U.	50.414	48.496
Free Energy to HPSEB for wheeling of power	M.U.	11.427	10.992
(iv) Turnover (including impact of UI Charges-(0.42) M.U., (Previous year 1.541 MU)	M.U.	273.827	265.358
	Rs'000	1,348,840	747,218

b) Imported and indigenous stores and spare parts consumed:

Stores & Spares	Percentage of total consumption		Value (Rs.'000)	
	2008	2007	2008	2007
Imported	-	-	-	-
Indigenously obtained	100.00	100.00	6,043	22,153
	100.00	100.00	6,043	22,153

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

As per our report of even date

S.R.Batliboi & Associates

Chartered Accountants

per RAJ AGRAWAL

Partner

Membership No. : 82028

Place : Manali

Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA

Chairman & Managing Director

ØISTEIN ANDRESEN

Director

BHARAT SINGH

Company Secretary

Cash Flow Statement as at 31st MARCH, 2008

	(Rs.'000)	
	As at 31.3.2008	As at 31.3.2007
A. Cash flow from operating activities		
Net profit before taxation	878,491	400,188
Adjustments for:		
Depreciation	202,723	107,742
Interest expenses	125,580	129,357
Deferred revenue expenses written off	-	3,655
Profit on fixed assets sold / discarded (net)	(1,736)	(6,602)
Provision under loyalty bonus scheme	1,595	3,307
Provision for gratuity	2,002	-
Provision for Leave encashment	1,278	128
Unrealised foreign exchange loss/(gain)	(7,532)	(2,259)
Interest income	(11,546)	(21,636)
Operating profit before working capital changes	1,190,855	613,880
Movements in working capital:		
Decrease / (increase) in sundry debtors	(12,687)	(16,920)
Decrease / (increase) in loan and advances	11,683	13,885
Increase in inventories	(395)	(989)
Decrease in current liabilities	(2,341)	(6,741)
Cash generated from operations	1,187,115	603,115
Direct taxes paid (Net of refund) (including tax deducted at source)	51,232	46,737
Net cash from operating activities	1,135,883	556,378
B. Cash flows from investing activities		
Purchase of fixed assets	(14,806)	(25,941)
Purchase of investments	-	-
Share application money paid	(1,488,000)	(130,216)
Loans and advances to subsidiary company	(410,907)	-
Advances for project allotted	(866,412)	-
Proceeds from sale of fixed assets	4,948	17,186
Interest received	6,091	21,995
Fixed deposits given	-	(451,426)
Fixed deposits encashed	-	557,726
Net cash from/ (used in) investing activities	(2,769,086)	(10,676)



	(Rs.'000)	
	As at 31.3.2008	As at 31.3.2007
C. Cash flows from financing activities		
Proceeds from issuance of share capital	1,112,001	-
Proceeds from Short term borrowings	752,630	-
Repayment of long -term borrowings	(297,226)	(255,201)
Interest paid	(127,801)	(129,153)
Net cash from/(used in) financing activities	1,439,604	(384,354)
Net increase in cash and cash equivalents(A+B+C)	(193,599)	161,348
Cash and cash equivalents at the beginning of the year	225,638	64,290
Cash and cash equivalents at the end of the year	32,039	225,638
Components of cash and cash equivalents		
Cash on hand	386	342
With banks - on current accounts	31,453	39,995
- on deposit accounts *	200	185,301
- on margin money account *	-	-
	32,039	225,638

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

As per our report of even date attached

S.R.Batliboi & Associates

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No. : 82028

Place : Manali

Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Chairman & Managing Director

ØISTEIN ANDRESEN Director

BHARAT SINGH Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS :

Registration No. State Code

Balance Sheet Date
Date Month Year

II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousand)

Public Issue	Rights Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
Bonus Issue	Private Placements/Others
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. Thousand)

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="5"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="5"/>

SOURCES OF FUND

Paid-up Capital	Reserves and Surplus
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="0"/> <input type="text" value="2"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="0"/>
Share Application Money	Deffered Tax Liability
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="8"/>
Secured Loans	Unsecured Loans
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="8"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="0"/>

APPLICATION OF FUNDS

Net Fixed Assets (Incl. P.O.P. exps.)	Investments
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="5"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>
Net Current Assets	Misc. Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
Accumulated Losses	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	

IV PERFORMANCE OF COMPANY (Amount in Rs. Thousand)

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

V GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICE OF COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)
Product Description Hydro Electric Energy

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Chairman & Managing Director
ØISTEIN ANDRESEN Director
BHARAT SINGH Company Secretary

Place : Manali

Date : May 28, 2008



Statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies

	Name of the subsidiary	AD Hydro Power Limied
1.	Financial period ended	March 31, 2008
2.	Holding company's interest	92.22% in equity shares
3.	Shares held by the holding company in the subsidiary	353,850,000 equity shares of Rs.10 each fully paid up Amounting to Rs.35,385 lacs
4.	The net aggregate of profits or losses For the current period of the subsidiary concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Nil
	b. not dealt with or provided for in the accounts of the holding company	NA
5.	The net aggregate of profits or losses for the current period of the subsidiary concerns the members of the holding company	
	a. dealt with or provided for in the accounts of the holding company	Nil
	b. not dealt with or provided for in the accounts of the holding company	NA

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA	Chairman & Managing Director
ØISTEIN ANDRESEN	Director
BHARAT SINGH	Company Secretary

Place : Manali
Date : May 28, 2008

Annual Report 2007-2008

DIRECTORS' REPORT

TO THE MEMBERS,
AD HYDRO POWER LIMITED

The Directors of the Company are pleased to present the Fifth Annual Report of the Board along with the audited statement of accounts for the year ended 31st March, 2008 together with the Auditors' Report.

The Company has not yet started its commercial activities and therefore no Profit and Loss Account has been prepared and the expenditure incurred has been shown under Schedule-6 under the head "Project & Pre-operative Expenses (Pending Allocation)" to the Balance Sheet.

PROJECT EXPENSES

During the financial year ending 31st March, 2008, the following expenditure has been incurred on the project as per the details given below:

(Amount in Rs. Million)

PARTICULARS	AMOUNT
Fixed Assets (Gross)	381.883
Capital Work in Progress	8170.771
Preoperative Expenses	1936.666
Net Current Assets	(655.184)
Miscellaneous	20.018
TOTAL	9854.154

PROJECT STATUS AND CONSTRUCTION ACTIVITIES

The Company started the construction of the project in early 2005 with an ambitious target to commission the project by May 2008 (10 months ahead of the 4 year schedule i.e March 2009, as approved by the financial institution). However, during tunneling work, the project encountered geological surprises resulting in delay in construction of water conductor system,



even though most of the other works (Allain river barrage, intermediary reservoir, power house, switch yard and supply of turbine, generator, transformers and other auxiliary equipments) are progressing well. Besides, delays have also been caused by multiple factors like prolonged, extreme winter conditions.

The Company has taken adequate measures to overcome the encountered geological surprises and with the current pace of tunneling work, the project is likely to become operational by November, 2009, implying a delay by eight months from the approved schedule of March, 2009.

Ever since the construction activities started on the project, there has been a substantial increase in all input costs like steel, cement, labour and equipments. Besides, there has also been changes in regulatory requirements / State Government policies resulting in additional costs to the project. All this coupled with significant geological problems experienced in the tunneling work, not only affected the project commissioning schedule but also increased the project cost substantially.

The International Finance Corporation (IFC), Washington being the lead financial institution and equity partner made the detailed appraisal of the situation and recognized the difficult ground conditions. IFC, acknowledged the unfortunate and difficult conditions being faced by the project and extended its support by sanctioning the additional loan to the extent of Rs. 2000 million and raised its equity stake from 10% to 12% in the revised Project Cost and its means of financing.

STATUS OF FINANCING

The revised Project Cost as approved by The International Finance Corporation, Washington now stands at Rs. 16,674 million and is to be financed as follows:

(Amount in Rs. Million)

Equity	Malana Power Company Ltd (88%)	4,928
	International Finance Corporation (12%)	672
	Total	5,600
Debt – Senior	International Finance Corporation	3,150
	Local Lenders	7249
	Total	10,400
Debt – Subordinate	Malana Power Company Ltd	675
	Total	16,674

As on 31st March 2008, an amount of Rs. 10,529.48 million has already been incurred on the project with the following means of finance:

(Amount in Rs. Million)

1. Equity contribution from Malana Power Co. Ltd	3,538.50
2. Equity contribution from IFC, W	298.44
3. Senior Debt from International Finance Corporation	1,150.00
4. Senior Debt from Local Lenders (IDBI, PNB, Axis Bank, PSB&OBC)	4,300.00
5. Sub Debt from Malana Power Company Ltd.	416.07
6. Net Current liabilities	826.47
Total	10,529.48

Since the project is being developed as a merchant power plant, we expect to get higher realizations from sale of power with the substantial price increase in the northern Indian power market. The cash flow will further strengthen in view of confirmed emission reduction purchase agreement with the Italian Carbon Fund managed by the World Bank. The challenges the project has faced show the importance of having such emission reduction credits as a precondition for the sponsors' original investment decision.

THE FUTURE OUTLOOK – INDIAN POWER SECTOR

The market fundamentals are strong as India continues to experience acute supply shortages both in terms of total energy and peak capacity. With the Indian economy growing at more than 8 to 9 percent annually, the demand for power has been outstripping supply. The Company believes that the power demand and supply gap will widen further with the growing economy and continue to remain so over the next few years. India continues to experience acute shortages in energy supply (9.9%) and peak capacity (16.6%). Even under conservative assumptions (i.e. conservative demand growth assumptions and aggressive capacity addition and supply availability assumptions), these shortages are forecast to continue for the foreseeable future. India's economy is growing at 8-9% and current per capita consumption is at 631kWh, substantially below that of China (2,149kWh) and Brazil (1,955kWh). Both energy demand and peak demand are expected to grow at a rate of 7-8% up to 2017 and at 6-7% thereafter. In response, India's 11th 5-year Plan (2007-2012) calls for additional capacity of 78,577MW and its 12th Plan (2012-2017) calls for a further 82,200MW. However, to date, India has been unable to



fulfill its ambitions, achieving less than 50% of planned addition in its last three Five-year Plans, adding just 19GW capacity in the ten years from 1997-2007, as against China which added 200GW in the same period.

National Supply and Demand Situation

The following table describes the historical demand-supply scenario which is self explanatory:

Historical Energy Demand Supply Scenario							
		FY03	FY04	FY05	FY06	FY07	FY08
Energy Demand	MU	545983	559264	591373	631757	697961	737052
Energy Availability	MU	497890	519398	548115	578819	624495	664660
Energy Deficit	MU	48093	39866	43258	52938	73466	72392
Energy Deficit	%	8.8%	7.1%	7.3%	8.4%	10.6%	9.8%
Peak Demand	MW	81492	84574	87906	93255	100715	108886
Peak Availability	MW	71547	75066	77652	81792	86818	90793
Peak Deficit	MW	9945	9508	10254	11463	13897	18093
Peak Deficit	%	12.2%	11.2%	11.7%	12.3%	13.8%	16.7%



The 2003 Electricity Act introduced a broad swathe of reforms including unbundling of State Electricity Boards; open access to transmission and ability to develop private transmission projects; and open access to distribution, providing customers with a choice of suppliers. The Act also recognized trading as a distinct activity and several private companies have entered the trading market.

Trading companies create efficient markets for short-term power contracts. These key changes coupled with continued shortages have given a boost to the concept of a merchant power market. Volumes of electricity traded by trading community have increased rapidly (12% CAGR) in the last 3 years to 15,022GWh in 2006-07.

With the ongoing gap between peak supply and demand, marginal prices are driven by consumer willingness to pay. This has increased in recent years due to: (i) increased end consumer willingness to pay as captive power production is becoming more expensive and the opportunity cost of black-outs during this period of economic growth is high; (ii) the credit situation of most State Electricity Boards ("SEBs") is improving

Annual Report 2007-2008

as a result of unbundling, better collection rates, rising tariffs, and a reduction in the gap between average tariff and average cost of supply; (iii) a lower political tolerance to load-shedding and greater inter-state competition to attract commercial activity with the promise of reliable power; (iv) unscheduled interchange charges have now been introduced to control unscheduled withdrawal of power during peak hours, with the penalty/benefit for over/under drawing being determined by the frequency (Hz) of the system and reaching a maximum of INR 10/kWh at frequencies of less than 49.2Hz.

For merchant plants, the tariffs are set by supply and demand at the margin of the market and with the shortfall in supply forecast to continue, the SEB's willingness to pay will drive pricing. As mentioned above, multiple factors have driven the willingness to pay and the average tariff price traded.

SHARE CAPITAL

During the year under review, International Finance Corporation, Washington infused its remaining part of equity of Rs. 880 million in the Company as per terms of shareholder agreement. Malana Power Company Limited has been investing in the project to meet the capital requirement and as on 31st March 2008, it has already invested Rs. 3,538 million as equity amount towards project cost. The Company also entered into shareholder and subscription agreement as per the new financing plan with IFC, for raising its equity stake in the project to 12% against previously agreed 10%.

ENVIRONMENT, HEALTH AND SAFETY

Your Company has adopted and implemented an Environment Management Plan as per the norms of IFC, Washington to address various environment and social issues. This also includes a public consultation and disclosure plan through mode of local community participation, consultation and dialogues.

Adequate safeguards are being taken to minimize damage to riverine, aquatic ecology and crops due to muck disposal.



The Company is taking the initiative for reusing at least 30% of the muck. The Company is committed to protecting the biodiversity of the project area including compensatory afforestation of over 64 hectares of degraded forest area. The contractors are also bound to observe environment, health and safety regulations of the Company.

The Company has taken all possible measures to control noise pollution by not only limiting demolition and removal of structures to daytime but also by adopting optimized blasting techniques and controlled traffic management. The Company intimates the blast timing to villagers and ensures that local people are away from the location of the blast site. The Company has also planned for the minimum discharge of water to downstream by installation of mechanical and electronic flow measuring devices to monitor flow of water for downstream users.

The Company faces serious issues regarding occupational health and safety in relation to the construction work. Both roads and tunnels are in areas with unstable surface geology and the terrain is very steep. This creates a natural environment which is very prone to different slides and rock falls. We have started a comprehensive programme to reduce the risks stemming from the natural hazards in the area. This is in line with the Company's aim to be recognized as an industry leader in the development and implementation of a safe workplace.

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to working in the interest of society at large and improving the quality of life and fostering sustainable and integrated development in the communities where it operates. The Company endeavors to make a positive contribution to the community by supporting a wide range of socio-economic, educational and health initiatives. As a constructive partner in the communities in which it operates, the Company has been taking concrete actions to realize its social responsibility objectives, thereby building value for its stakeholders.



The corporate social responsibility measure includes awarding contract for road construction to the villagers at the project site, job priority and providing training / skill capacity building for local people, education and medical help, community development through participatory approach and formation of a cell for monitoring the Rehabilitation Action Plan.

During the year, the Company made significant contributions towards local area development by constructing village paths, irrigation water channels, street lights and undertaking various religious and welfare activities at the site. The Company has built toilet facilities and sewage collection and treatment systems at the labour camps. The Company has also built an access road to the cremation ground, electrified roads within the village and built a police post. Regular meetings are held by local area development committee to initiate new measures for local community improvement and progress.

The Company has been undertaking afforestation activities at the project site through several women local groups in Jagatsukh, Aleo, Prini and Shuru for pasture land development and plantation. The Company's activities conform to local environment parameters related to ambient air, waster water, drinking water and river water at specified sampling locations. Garbage management and final disposal by incineration in the double chamber incinerator is commissioned at the project site. The Health Centre at Prini village and Jagatsukh village are progressing well and has been helpful to the villagers.

HUMAN RESOURCES DEVELOPMENT

For us, human development continues to be the key focus area. The Company perceives human resources as the greatest asset of the organization for its growth, increased productivity and market reputation. The Company continues to give utmost importance to the training and development of its human resources for maximizing their contribution to the attainment of its goals. The Company encourages new ideas and a friendly job culture and has created a favourable work environment promoting innovation and meritocracy.

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

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

DIVIDEND & OTHER APPROPRIATIONS

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

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company has established adequate internal control systems in all areas of operations, regularly checked by both external and internal auditors who have access to all records and information. We also maintain a system of internal control designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial control and compliance with applicable laws and regulations. The Company is continuously upgrading these systems in line with the best available practices. Audit Committee meetings are held where these reports and variance analysis are discussed and action taken. Operational reports are tabled at the Board meetings after discussions at Audit Committee meetings.

INTERNAL AUDIT

Internal audit at ADHPL is an independent, objective and assurance function, conscientious for evaluating and improving the effectiveness of risk management, control, and governance processes. Annual audit plans are prepared based on risk management and extensive reviews covering financial, operational and compliance controls and risk mitigation. Areas requiring specialized knowledge are reviewed in partnership with external experts.

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

Annual Report 2007-2008

PARTICULARS OF EMPLOYEES

During the year 2007-2008, no employee of the Company was covered as per the provisions of Section 217(2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees..

DIRECTORS' RESPONSIBILITY STATEMENT

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

- i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) That the accounting policies have been selected and applied consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the financial year 2007-2008;
- iii) That the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the annual accounts have been prepared on an on going concern basis.

DIRECTORS

Mr. Ravi Jhunjunwala and Dr. Kamal Gupta retire by rotation and being eligible offer themselves for reappointment at the ensuing Annual General Meeting. During the year, Mr. Leiv Pedersen resigned on 5th February 2008 from the Directorship and Mr. Bidyut Shome was appointed as additional Director in place of Mr. Leiv Pedersen, until the conclusion of next Annual General Meeting. The Board recommends the appointment of Mr. Bidyut Shome on the Board of the Company. The Board of Directors wish to place on record their appreciation towards the contribution made by Mr. Leiv Pedersen as a member of the Board.

The tenure of Mr. R.P Goel, Whole Time Director expired on 29th November, 2007 and members in General Meeting held on 29th November, 2007 extended the tenure of Mr. R.P Goel for another two years from 29th November, 2007 to 28th November, 2009.

AUDIT COMMITTEE

During the year, the Company met twice to review its financial results, internal control systems, risk management policies and internal audit reports. The Audit Committee of the Company

comprises three members. All the members were present in all the meetings of the Audit Committee and the proceedings of the committee were in accordance with the provisions of the Companies Act, 1956.

AUDITORS

M/s. S.R. Batliboi & Associates, Chartered Accountants have conveyed their unwillingness for re-appointment as statutory auditors of the Company for the financial year ending on 31st March, 2009. The Company has also received a consent letter from S.R. Batliboi & Co. Chartered Accountants under section 224(1) (b) of the Companies Act, 1956, and being eligible and having shown willingness for their appointment as statutory auditors of the Company for the financial year ending on 31st March, 2009, the Board recommends the appointment of M/s. S.R. Batliboi & Co. Chartered Accountants as Statutory Auditors of the Company.

AUDITORS' REMARKS

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

PUBLIC DEPOSITS

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

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Information required to be disclosed under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 has been given in the Annexure I forming part of this Report.

CORPORATE GOVERNANCE

Corporate governance is a process that aims to meet shareholders' aspirations and societal expectations. It is a commitment that is backed by the fundamental belief of maximizing shareholders value, transparency in functioning, values and mutual trust amongst all the stakeholders in the organization. In our Company, corporate governance philosophy stems from our belief that it is a key element in improving efficiency and growth as well as enhancing investor confidence.

The majority of the Board comprises Non-Executive Directors who play a critical role in imparting balance to the Board processes by bringing an independent judgment to bear on issues of strategy, performance, resources, standards of Company conduct, etc. The Audit Committee of the Board meets regularly and provides assurance to the Board on the adequacy of internal control systems and financial systems. The Corporate governance policy followed by the Company

represents the value framework, the ethical framework and the moral framework under which business decisions are taken.

ACKNOWLEDGEMENTS

Your Company is indebted for the support and cooperation extended by every member of the ADHPL family. The Board of Directors sincerely acknowledge the precious assistance and continued support provided by the Ministry of Power, Government of Himachal Pradesh, Himachal Pradesh State Electricity Board, commercial banks, International Finance Corporation, Washington, financial institutions and other Governmental departments. The Board looks forward to their continued support and cooperation in the coming years as well.

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

For and on behalf of the Board of Directors

Ravi Jhunjunwala
 Chairman

Place: Manali
 Date: 28th May 2008



ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE - I

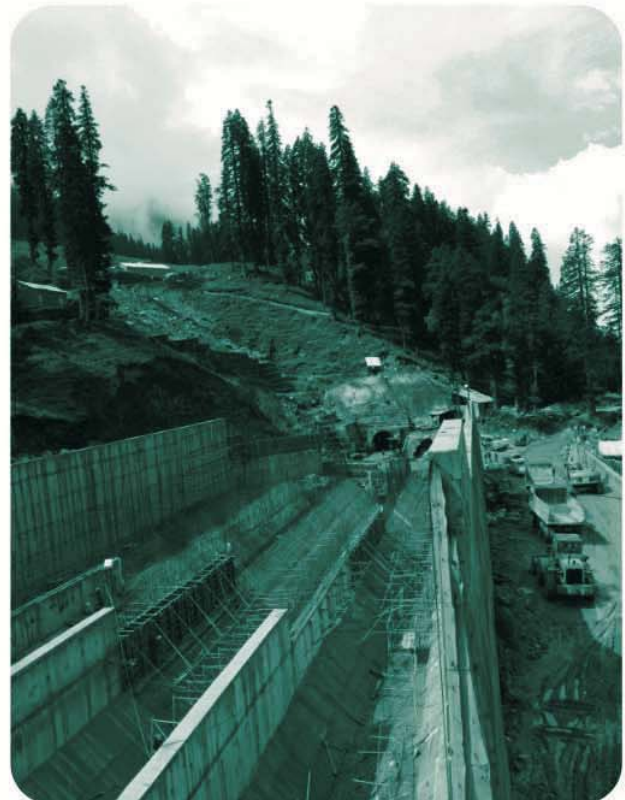
Statement of particulars pursuant to the Companies (disclosure of particulars in the Report of Board of Directors) Rules, 1988

- | | |
|--|-------|
| 1. Conservation of energy | - nil |
| 2. Technology absorption | - nil |
| A. Research and development (R&D) | - nil |
| B. Technological absorption, adaptation and innovation | - nil |
| C. Exports & foreign exchange earning and outgo | |

(Rs. in Million)

	2007-08	2006-07
I. Foreign exchange outgo		
Engineering fees and Consultancy charges	54,508	62,304
Legal and Professional charges	662	4,618
Travel	2,185	939
Financial charges	395	8,718
Capital and Project equipments	115,239	226,593
Total	172,989	226,593

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



AUDITORS' REPORT

To

The Members of AD Hydro Power Limited

1. We have audited the attached Balance Sheet of AD Hydro Power Limited as at March 31, 2008 ('the Company') and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii. The balance sheet and cash flow statement dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the balance sheet and cash flow statement dealt with by this report
- Comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - v. On the basis of the written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts given the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2008;
 - b) in the case of cash flow statement, of the cash flows for the year ended on that date.

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

per RAJ AGRAWAL

Partner

Membership No. : 82028

Place : Manali

Date : 29th May, 2008

Annexure referred to in paragraph 3 of our report of even date
Re: [AD Hydro Power 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.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, provisions of clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, provisions of clauses 4(iii) (e), (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The company is in construction phase and accordingly, the provisions of clause 4(viii) of the, Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income—tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income—tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the

- Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiii) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any, guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that
- no funds raised on short-term basis have been used for long-term investment
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xx) During the year under review, the company has not raised money through public issue; hence clause 4(xx) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

per RAJ AGRAWAL

Partner

Membership No. : 82028

Place : Manali

Date : 29th May, 2008

BALANCE SHEET AS AT 31st MARCH 2008

		(Rs.'000)	
	SCHEDULE	31.3.2008	31.3.2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	3,836,944	2,120,844
Share application money (pending allotment)		-	140,000
		3,836,944	2,260,844
Loan Funds			
Secured loans	2	5,450,000	3,851,826
Unsecured loans	3	416,070	-
		5,866,070	3,851,826
TOTAL		9,703,014	6,112,670
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	4	381,883	236,388
Less : Accumulated Depreciation		151,140	46,470
Net block		230,743	189,918
Capital work-in-progress including capital advances	5	8,170,771	4,032,307
Project and pre-operative expenses (pending allocation)	6	1,936,666	1,015,766
		10,338,180	5,237,991
Current Assets, Loans and Advances			
Inventories	7	134,514	95,748
Cash and bank balances	8	48,522	1,046,612
Other current assets	9	6,109	6,011
Loans and advances	10	30,660	15,608
		219,805	1,163,979
Less: Current Liabilities and Provisions			
Current Liabilities	11	858,326	296,023
Provisions	12	16,663	9,097
		874,989	305,120
Net Current Assets		(655,184)	858,859
Miscellaneous Expenditure (to the extent not written off or adjusted)	13	20,018	15,820
TOTAL		9,703,014	6,112,670
Notes to Accounts	14		

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

As per our report of even date

S.R.Batliboi & Associates

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No. : 82028

Place : Manali

Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Director

ØISTEIN ANDRESEN Director

AJAY HEMRAJANI Company Secretary

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

	(Rs.'000)	
	31.3.2008	31.3.2007
Authorised		
700,000,000 (Previous year 314,000,000) equity shares of Rs.10 each	7,000,000	3,140,000
Issued, Subscribed and Paid up		
383,694,360 (Previous year 212,084,440) equity shares of Rs.10 each	3,836,944	2,120,844
(353,850,000 (Previous year 191,050,000) equity shares are held by Malana Power Company Limited, the Holding Company alongwith its nominees)		
	3,836,944	2,120,844

SCHEDULE 2: SECURED LOANS

	31.3.2008	31.3.2007
Rupee term loans		
- From banks	4,300,000	3,091,826
- From institutions	1,150,000	760,000
	5,450,000	3,851,826

Note:

Term loans from banks and institutions are secured by way of a first mortgage/charge on all immovable properties wherever situated both present and future and hypothecation of all movable assets, rights, etc. present and future of the Company, on pari passu basis. Further, the holding company, Malana Power Company Limited, has provided corporate guarantee & has also pledged its share holding in the company.

SCHEDULE 3: UNSECURED LOANS

	31.3.2008	31.3.2007
Long Term loans & Advances		
- From holding company	416,070	-
	416,070	-

SCHEDULE - 4 : FIXED ASSETS

(Rs.'000)

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	Cost As at 1.4.2007	Additions	Deduction	Cost As at 31.3.2008	As at 1.4.2007	For the Year	Deletion	As at 31.3.2008	As at 31.3.2008	As at 31.3.2007
Building	50,273	411	-	50,684	1,473	1,681	-	3,154	47,530	48,800
Project equipment	122,033	131,961	-	253,994	31,783	95,026	-	126,809	127,185	90,250
Other equipment	4,330	92	-	4,422	863	485	-	1,348	3,074	3,467
Electrical installation	25,587	149	-	25,736	1,271	1,271	-	2,542	23,194	24,316
Furniture & fixtures	10,533	2,728	50	13,211	2,566	1,723	18	4,271	8,940	7,967
Computer	8,838	1,703	-	10,541	3,834	1,776	-	5,610	4,931	5,004
Office equipments	4,518	2,114	-	6,632	1,250	659	-	1,909	4,723	3,268
Vehicles	10,276	7,356	969	16,663	3,430	2,419	352	5,497	11,166	6,846
Total	236,388	146,514	1,019	381,883	46,470	105,040	370	151,140	230,743	189,918
Previous Year	96,582	139,806	-	236,388	8,802	37,668	-	46,470	189,918	

SCHEDULE - 5 : CAPITAL WORK IN PROGRESS

(Rs.'000)

PARTICULARS	As at 1.4.2007	Additions	As at 31.3.2008
Land - freehold (Refer Note no 5 (a) & (b) of Schedule 14)	290,881	9,846	300,727
Road	897,342	479,588	1,376,930
Buildings	46,069	144,571	190,640
Head race tunnel	186,235	496,130	682,365
Pressure shaft	41,354	331,094	372,448
Surge shaft	6,682	-	6,682
Intermediate reservoir	1,126	-	1,126
Upstream	218,492	547,500	765,992
Power house	579,672	336,376	916,048
Switch Yard	-	83,719	83,719
Engineering fees	273,488	56,514	330,002
Consultancy charges	75,992	52,795	128,787
Construction power	9,070	7,939	17,009
Bridge	3,029	-	3,029
Transmission line - includes stocks lying with third parties Rs.16,176 thousand (Previous year Rs. 63,192 thousand)	110,986	1,073,892	1,184,878
Turbine & Generators	114,534	595,147	709,681
Gates	-	27,558	27,558
Power Cables	-	46,514	46,514
Power Tranformer	-	175,280	175,280
Equipments Under Installation	26,871	(19,572)	7,299
E&M Aux Services	-	26,233	26,233
EOT Crane	-	22,185	22,185
Other capital expenditure	45,111	-	45,111
Capital stocks - includes stocks lying with third parties Rs.255,117 thousand (Previous year Rs.318,050 thousand)	371,474	(68,420)	303,054
Capital advances	733,899	(286,425)	447,474
Total	4,032,307	4,138,464	8,170,771

SCHEDULE 6: PROJECT AND PRE-OPERATIVE EXPENSES**(pending allocation)**

(Rs.'000)

PARTICULARS	As at 1.4.2007	Additions during the Year	As at 31.3.2008
Personnel Expenses			
Salaries , wages and bonus	161,958	98,465	260,423
Contribution to provident funds	11,762	4,646	16,408
Contribution to superannuation funds	1,441	1,072	2,513
Gratuity expenses	1,024	2,000	3,024
Workmen and staff welfare expenses	13,206	8,460	21,666
	189,391	114,643	304,034
Administrative and other expenses			
Rent	17,290	12,756	30,046
Rates & taxes	224	12	236
Insurance	38,408	33,728	72,136
Repairs and maintenance			
- Plant and machinery	9,608	3,521	13,129
- Civil works	141	642	783
- Buildings	2,387	412	2,799
- Others	2,083	270	2,353
Travelling expense	37,112	18,069	55,181
Conveyance	13,425	3,107	16,532
Vehicle running & hiring expenses	39,230	38,095	77,325
Communication expenses	7,569	3,504	11,073
Auditor's Remuneration :			
- Audit Fees	1,140	562	1,702
- Other Services	503	419	922
- Out of Pocket Expenses	112	6	118
Charity and donations (other than to political parties)	3,459	117	3,576
Director remuneration	2,026	1,941	3,967
Advertisement	10,352	2,037	12,389
Legal & professional charges	45,921	16,048	61,969
Expenditure on forest land (Refer Note no 5 (c) of Schedule 14)	212,522	43,204	255,726
Fee & subscription	3,308	305	3,613
Stores consumption	62,822	20,499	83,321
Power and fuel	34,151	7,043	41,194
Installation charges	3,612	-	3,612
Security arrangement expense	10,377	13,092	23,469
Social welfare expenses	12,392	22,417	34,809
Miscellaneous expenses (net of recoveries Rs. 2,347 thousand (Previous year Rs. 6,813 thousand)	27,143	15,864	43,007

CONTD. SCHEDULE 6: PROJECT AND PRE-OPERATIVE EXPENSES (pending allocation)

(Rs.'000)			
PARTICULARS	As at 1.4.2007	Additions during the Year	As at 31.3.2008
Fringe benefit tax	5,917	5,550	11,467
Interest on Term Loan	149,263	440,955	590,218
Interest to Holding Company	-	5,163	5,163
Interest on Others	1,985	-	1,985
Financial / bank charges	67,370	4,548	71,918
Depreciation	46,476	105,040	151,516
	868,328	818,926	1,687,254
Less : Interest earned (Tax deducted at source Rs. 3,266 thousand, Previous year Rs. 3,481 thousand) (net of provision for income tax Rs. 5,133 thousand (Previous year Rs. 5,242 thousand))	(41,953)	(12,669)	(54,622)
	1,015,766	920,900	1,936,666

SCHEDULE 7: INVENTORIES

(Rs.'000)		
	31.3.2008	31.3.2007
Stores and spares (including stocks lying with third parties Rs.55,575 thousand (Previous year Rs.43,823 thousand))	134,514	95,748
	134,514	95,748

SCHEDULE 8: CASH AND BANK BALANCES

(Rs.'000)		
	31.3.2008	31.3.2007
Cash on hand	2,586	1,714
Balances with scheduled banks:		
On current accounts	32,441	149,885
On deposit accounts	2,295	892,918
On margin money accounts	11,200	2,095
	48,522	1,046,612
Included in deposit accounts is :		
Fixed deposit of Rs 200 thousand pledged with the H.P. Government Sales Tax Department		

SCHEDULE 9: OTHER CURRENT ASSETS

(Rs.'000)		
	31.3.2008	31.3.2007
Interest accrued on deposits and others	6,109	6,011
	6,109	6,011

SCHEDULE 10: LOANS AND ADVANCES**(Unsecured, considered good)**

	(Rs.'000)	
	31.3.2008	31.3.2007
Loans to employees	3,157	710
Advances recoverable in cash or in kind or for value to be received	24,107	11,285
Security deposit	3,345	3,253
Advance fringe benefit tax (net of provision Rs. 5,917 thousand)	-	360
Advance income tax / tax deducted at source (net of provision Rs.17,524 thousand)	51	-
	30,660	15,608

SCHEDULE 11: CURRENT LIABILITIES

Sundry creditors		
(a) Outstanding dues of Micro,Medium & Small Enterprises (Ref.note no 12.of Sch.14)	-	-
(b) Outstanding dues of creditors other than Micro,Medium & Small Enterprises	626,362	224,605
Deposits from contractors and others	182,898	51,597
Interest accrued but not due on loans	22,208	2,332
Other liabilities	26,858	17,489
	858,326	296,023

SCHEDULE 12: PROVISIONS

Provision for Fringe Benefit Tax (net of advance fringe benefit tax Rs. 11,072 thousand)	395	-
Provision for Wealth Tax	60	40
Provision for Income Tax (net of advance tax Rs.Nil (previous year Rs. 10,620 thousand))	-	1,859
Provision for Gratuity	2,000	-
Provision for Leave encashment	3,107	1,743
Provision for Continuity Linked Bonus	11,101	5,455
	16,663	9,097

SCHEDULE 13: MISCELLANEOUS EXPENDITURE**(to the extent not written off or adjusted)**

Share issue expenses		
Balance as per last account	15,820	29
Add : Incurred during the year	4,198	15,791
	20,018	15,820

SCHEDULE 14 : NOTES TO ACCOUNTS

1. Nature of Operations

AD Hydro Power Limited (hereinafter referred to as 'the Company') is in the process of setting up of a 192 MW hydro electric power generation plant. The Company is still in the construction stage and has not yet commenced commercial power generation during the year ended March 31, 2008.

2. Statement of Significant Accounting Policies.

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires managements to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the date of financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Changes in accounting policy

Adoption of Accounting Standard AS15 (Revised) Employee Benefits

The Company has calculated the liability towards gratuity, continuity linked bonus and leave encashment as per the revised Accounting Standard – 15(AS-15) on 'Employee Benefits'. Accordingly the company has provided for gratuity, continuity linked bonus and leave encashment based on actuarial valuation done as per projected unit credit method. Since the company is in construction stage and there are no brought forward reserves to adjust the impact of transitional provisions, the project & pre-operative expenses is lower by Rs 1,387 thousand due to the impact of change in policy on opening liability. This change does not have a material impact on the current year expenditure.

(d) Fixed Assets

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

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

(e) Expenditure on new projects

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

(f) Depreciation

- i. On Plant & Machinery and Building, depreciation is provided on straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- ii. On fixed assets other than those covered under (i) above, depreciation is provided on written down value method at the rates prescribed in Schedule – XIV to the Companies Act, 1956.
- iii. Depreciation on Project Equipments has been provided as per straight line method over the period upto the revised expected date of completion of the project i.e. 31st March, 2009.

(g) Inventories

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

(h) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest

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

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

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

(j) Foreign currency translation

Foreign currency transactions

(i) Initial Recognition

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

(ii) Conversion

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

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on restatement of monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise, except exchange differences arising in respect of fixed assets acquired from outside India on or before accounting period commencing after December 7, 2006 are capitalized as a part of fixed asset.

(k) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund and Superannuation Schemes are defined contributions scheme and the contributions are charged to the Expenses / Project & Preoperative Expenses (pending allocation) in the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective fund/trust.

(ii) Gratuity liability is defined benefit obligation and is provided for on the basis of actuarial valuation on projected unit credit method made at the end of each financial year. The amount paid/ payable in respect of present value of liability for past services is charged to the Expenses / Project & Preoperative Expenses (pending allocation).

(iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iv) Liability under continuity linked loyalty bonus scheme is provided for on actuarial valuation basis, which is done as per projected unit credit method.

(l) Provisions

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined

based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(m) Income Taxes

Current income tax on interest income is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act and is netted from the interest income. Fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act.

(n) Cash and Cash equivalents

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

3. As the Company has not commenced commercial operations as of March 31, 2008, no Profit and Loss Account has been prepared, but in lieu thereof, a statement of Project and Pre-operative expenses (pending allocation) has been prepared as per Schedule 6 and expenses incurred during the year ended March 31, 2008 in relation to the construction of the project, have been included under the said Schedule, to be allocated appropriately at the time of commencement of commercial operations.

4. The Company has signed a Quadripartite Agreement on 5th November, 2005 with Rajasthan Spinning & Weaving Mills Ltd (RSWM) (the holder of Implementation rights /promoter), Malana Power Company Limited and Government of Himachal Pradesh for transfer of the project from RSWM to the Company to give effect to Implementation Agreement signed between RSWM and Government of Himachal Pradesh.

5. (a) Land includes Rs. 5,677 thousand paid to Deputy Commissioner, Kullu towards transfer of government's agriculture land measuring 10.76 hectare for which the execution of lease deed is pending.

(b) Land includes Rs. 295,050 thousand paid for 12.38 hectares land out of which mutation for execution of 9.75 hectares in favour of company has been completed. Apart from notified land, 2.63 hectares land has been acquired directly from the villagers and the mutation is in progress.

- (c) Rs. 255,726 thousand paid to Divisional Forest Officer, Kullu on account of use of forest land measuring 47.24 hectares represents amount paid towards loss of environment value, compulsory afforestation, cost of tree felling and Catchment Area Treatment Plan.

6. Related Party Disclosure

(a) Name of related party

Ultimate Holding Company	Bhilwara Energy Limited
Holding Company	Malana Power Company Limited
Key Management Personnel	Mr. R. P. Goel,, Whole Time Director.
Fellow Subsidiary	Indo Canadian Consultancy Services Limited

(b) Transaction with related parties

(Rs.'000)

Nature of Transaction	Ultimate Holding Company		Holding Company		Key Management Personnel		Fellow Subsidiary	
	2008	2007	2008	2007	2008	2007	2008	2007
Transactions during the year								
Remuneration paid to Mr. RP Goel					1,941	1,650		
Consultancy charges paid to Indo Canadian Consultancy Services Limited							52,795	35,529
Reimbursement of expenses incurred by Malana Power Company Limited on behalf of the company			13,685	-				
Reimbursement of expenses incurred on behalf of Malana Power Company Limited			2,939	-				
Reimbursement of expenses incurred by Indo Canadian Consultancy Services Limited on behalf of the company							1,027	233
Reimbursement of expenses incurred on behalf of Indo Canadian Consultancy Services Limited							110	191
Share application money received from Malana Power Company Limited (net)			-	130,216				
Shares allotted to Malana Power Company Limited			1,628,000	-				
Fixed Assets transferred to Bhilwara Energy Limited	525	-						
Reimbursement of expenses incurred on behalf of Bhilwara Energy Limited	652	-						
Unsecured Loan taken from Malana Power Company Limited			416,070	-				
Interest Expense on Unsecured loan taken from Malana Power Company Limited			5,163	-				
Sale of fixed assets to AD Hydro Power Limited			2,030	16,089				
Balances outstanding as at the year end								
Balances Receivable :								
Bhilwara Energy Limited	525	-						
Balances Payable:								
Indo Canadian Consultancy Services Limited							13,195	9
Unsecured Loan taken from Malana Power Company Limited			416,070	-				
Interest amount on Unsecured Loan from Malana Power Company Limited			5,163	-				
Guarantees given by the Malana Power Company Limited on behalf of the company			450,000	450,000				

7. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 2,665,897 thousand (Previous Year Rs 4,131,035 thousand).

- 8.** The company provides depreciation on the project equipment as per straight line method over the period upto the expected date of completion of the project. Since the expected date of completion of project has been extended, from 31st March 2008 to 31st March 2009, the depreciation of the project equipments is provided over the residual revised expected date of completion. Accordingly the depreciation charge on project equipments in current year is lower by Rs 127,186 thousand.

9. Derivative instruments and unhedged foreign currency exposure.

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

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

(Rs.'000)

Particulars	2008	2007
Creditors for expenses	-	25,814

10. Statutory Supplementary Information

Particulars	2008	2007
(a) Directors Remuneration		
Salaries	1,183	1,020
Allowances	758	630
	1,941	1,650

Notes:

- a) As the future liability for the gratuity and leave encashment is provided on actuarial basis for the company as a whole, the amount pertaining to the directors is not ascertainable and therefore, not included.
- b) Perquisites have been considered as per taxable value as per Income Tax Act, 1961.
- c) In absence of profits, remuneration to director is paid with in the limits prescribed in Schedule XIII of the Companies Act, 1956.

(b) Expenditure in foreign currency (net of TDS) (Cash basis)	2008	2007
Engineering Fees and Consultancy charge	54,508	62,034
Legal and Professional charges	662	4,618
Travelling	2,185	939
Financial charges	395	8,718
	57,750	76,309
(c) Value of imports calculated on CIF basis		
Capital Goods	36,605	196,643
Project Equipments	78,634	29,950
	115,239	226,593

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

a) Imported and indigenous stores and spare parts consumed:

	Percentage of total consumption		Value (Rs.'000)	
	2008	2007	2008	2007
Stores & Spares				
Imported	24.84	27.80	5,093	11,129
Indigenously obtained	75.16	72.20	15,406	28,908
	100.00	100.00	20,499	40,037

- 12.** The Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which came into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay them interest on overdue beyond the specified period irrespective of the terms agreed with the suppliers. As per the information available with the Company, none of the creditors fall under the definition of 'supplier' as per the Section 2(n) of the Act. In view of the above, the prescribed disclosures under Section 22 of the Act are not required to be made.

13. Gratuity and Other Post Employment benefit plans (AS 15- Revised)

Gratuity and Other Post Employment benefit plans (AS 15- Revised)

The Company has a defined benefit gratuity plan. Gratuity (being administered by a Trust) is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement / termination / resignation. The benefit vests on the employee completing 5 years of service. The Gratuity plan for the Company is a defined benefit scheme where annual contributions are deposited to 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. Plan assets also include investments and bank balances used to deposit premiums until due to the insurance company.

The following tables summarise the components of net benefit expense recognised in the profit and loss account and the funded status and amounts recognised in the balance sheet for the respective plans:

Profit and Loss Account

Net employee benefits expense (recognised in Employee Cost):

(Rs.'000)

Particulars	For the year ended on March 31, 2008
Current Service Cost	934
Interest cost on benefit obligation	109
Expected return on plan assets	(23)
Net actuarial (gain)/ loss recognised in the period	912
Past service cost	-
Net benefit expense	1,932
Actual return on plan assets	103

Balance Sheet

Details of Provision for Gratuity:

Particulars	As At March 31, 2008
Defined benefit obligation	3,298
Fair value of plan assets	1,298
	(2,000)
Less: Unrecognised past service cost	-
Plan asset / (liability)	(2,000)

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

Particulars	As at March 31, 2008
Opening defined benefit obligation	1,359
Interest cost	109
Current service cost	934
Benefits paid	(96)
Actuarial (gains)/ losses on obligation	992
Closing defined benefit obligation	3,298

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

Particulars	As At March 31, 2008
Opening fair value of plan assets	291
Expected return	23
Contributions by employer	1,001
Benefits paid	(96)
Actuarial gains / (losses)	79
Closing fair value of plan assets	1,298

The Defined benefit obligation amounting to Rs. 3,298 thousand is funded by assets amounting to Rs. 1,298 thousand and the Company expects to contribute Rs. 2,000 thousand during the year 2008-09.

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

Particulars	As At March 31, 2008
	%
Investments with insurer	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. There has been significant change in expected rate of return on assets due to the improved stock market scenario.

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

Particulars	For the year ended on March 31, 2008
	%
Discount Rate	8.00
Expected rate of return on assets	8.00
Future Salary Increase	5.50
Withdrawal rate	1 to 3

ANNUAL REPORT 2007-2008

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.

The current year being the first year of adoption of Accounting Standards – 15 (Revised 2005) by the Company, the previous year's comparative information has not been furnished. As the Company has adopted AS 15 Revised for the current reporting period, experience adjustments on plan assets and liabilities cannot be determined for previous periods. There were no experience adjustments for the current period.

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

As per our report of even date

S.R. Batliboi & Associates

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No. : 82028

Place : Manali

Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Director

ØISTEIN ANDRESEN Director

AJAY HEMRAJANI Company Secretary

CASH FLOW STATEMENT AS AT 31st MARCH, 2008

	(Rs.'000)	
	As at 31.3.2008	As at 31.3.2007
A. Cash flows from investing activities		
Acquisition of fixed assets	(4,181,582)	(2,974,508)
Proceeds from sale of fixed assets	721	-
Fixed deposit accounts	881,518	(770,207)
Interest received	17,704	22,354
Net cash used in investing activities	(3,281,639)	(3,722,361)
B. Cash flows from financing activities		
Proceeds from issuance of share capital	1,576,100	340,560
Payment for increase in share capital	(4,198)	(5,905)
Proceeds from long term borrowings	2,014,244	3,661,826
Repayment of long -term borrowings	-	-
Interest paid	(421,079)	(146,862)
Net cash from financing activities	3,165,067	3,849,619
Net increase / (decrease) in cash and cash equivalents (A+B)	(116,572)	127,258
Cash and cash equivalents at the beginning of the year	151,599	24,341
Cash and cash equivalents at the end of the year	35,027	151,599
Components of cash and cash equivalents		
Cash on hand	2,586	1,714
With scheduled banks - on current accounts	32,441	149,885
	35,027	151,599

As per our report of even date

S.R. Batliboi & Associates
Chartered Accountants

per **RAJ AGRAWAL**
Partner
Membership No. : 82028

Place : Manali
Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Director
ØISTEIN ANDRESEN Director
AJAY HEMRAJANI Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS :

Registration No. State Code

Balance Sheet Date
Date Month Year

II CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousand)

Public Issue	Rights Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Bonus Issue	Private Placements/Others
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/>

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. Thousand)

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="3"/>	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="3"/>

SOURCES OF FUND

Paid-up Capital	Reserves and Surplus
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="4"/> <input type="text" value="4"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Share Application Money	Deffered Tax Liability
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Secured Loans	Unsecured Loans
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="7"/> <input type="text" value="0"/>

APPLICATION OF FUNDS

Net Fixed Assets	Investments
<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Net Current Assets	Misc. Expenditure
<input type="text" value=""/> <input "="" type="text" value="("/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value=")"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="8"/>
Accumulated Losses	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	

IV PERFORMANCE OF COMPANY (Amount in Rs. Thousand)

Turnover (Total Income)	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
Profit/Loss before Tax	Profit/Loss after Tax
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>
Earning Per Share in Rupees	Dividend Rate (%)
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>

V GENERIC NAME OF THREE PRINCIPAL PRODUCTS/SERVICE OF COMPANY (AS PER MONETARY TERMS)

Item Code No. (ITC Code)
Product Description Hydro Electric Energy

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Director
ØISTEIN ANDRESEN Director
AJAY HEMRAJANI Company Secretary

Place : Manali

Date : May 28, 2008

LNJ Bhilwara Group

TEXTILES

RSWM Limited

1. Kharigram
2. Mayur Nagar, Banswara
3. Mandpam
4. Rishabhdev
5. Ringas
6. LNJ Nagar, Mordi
7. LNJ Nagar, Mordi
8. LNJ Nagar, Mordi

Synthetic, Regenerated Cellulosic Blended Grey, Dyed Yarn
 Synthetic, Regenerated Cellulosic & Cotton-blended Grey Yarn
 Cotton Melange Yarn, Cotton-blended Melange & Dyed Yarn
 Synthetic, Blended & Grey Yarn
 Synthetic & Blended Dyed Yarn
 Fabric
 Denim
 Thermal Power

Cheslind Textiles Ltd.

9. Bagalur
10. Pondicherry
11. Tirupur

Cotton Yarn
 Cotton Yarn
 Knitted Fabric

RSWM-SISA, S.A.

12. Barcelona, Spain

Cotton Yarn

Maral Overseas Ltd.

13. Maral Sarovar
14. Maral Sarovar
15. Noida
16. Noida

Cotton Yarn, Cotton-Knitted Fabric & Cotton Knitwear
 Captive Thermal Power
 Knitwear
 Knitwear

BSL Ltd.

17. Bhilwara
18. Jaisalmer

Yarn, Worsted, Synthetic & Silk Fabric, Garments & Accessories
 Captive Wind Power Generation

Bhilwara Spinners Ltd.

19. Bhilwara

Synthetic, Blended Grey & Dyed Yarn

BMD Pvt. Ltd.

20. LNJ Nagar, Mordi

Specialised Automotive Fabric & Furnishing Fabric

Bhilwara Processors Ltd.

21. Bhilwara

Processing of Synthetic & Worsted Fabric, Tops Fibre Dyeing

GRAPHITE

HEG Ltd.

22. Mandideep
23. Mandideep
24. Tawa

Graphite Electrodes
 Captive Thermal Power
 Captive Hydro Electric Power

POWER

Bhilwara Energy Ltd.

25. Pathankot
26. Tawang

UBDC Stage III Hydro Electric Power Generation
 Nyam Jang Chhu Hydro Electric Power Generation

Malana Power Company Ltd.

27. Malana (Kullu)

Hydro Electric Power Generation

AD Hydro Power Ltd.

28. Allain-Duhangan (Manali)

Hydro Electric Power Generation

Indo Canadian Consultancy Services Ltd.

29. Noida

Power Engineering Services

INFORMATION TECHNOLOGY

Bhilwara Scribe Pvt. Ltd.

30. Bhopal
31. Bengaluru

Medical Transcription Services
 Medical Transcription Services

Bhilwara Infotech Ltd.

32. Bengaluru

IT Services

OFFICES

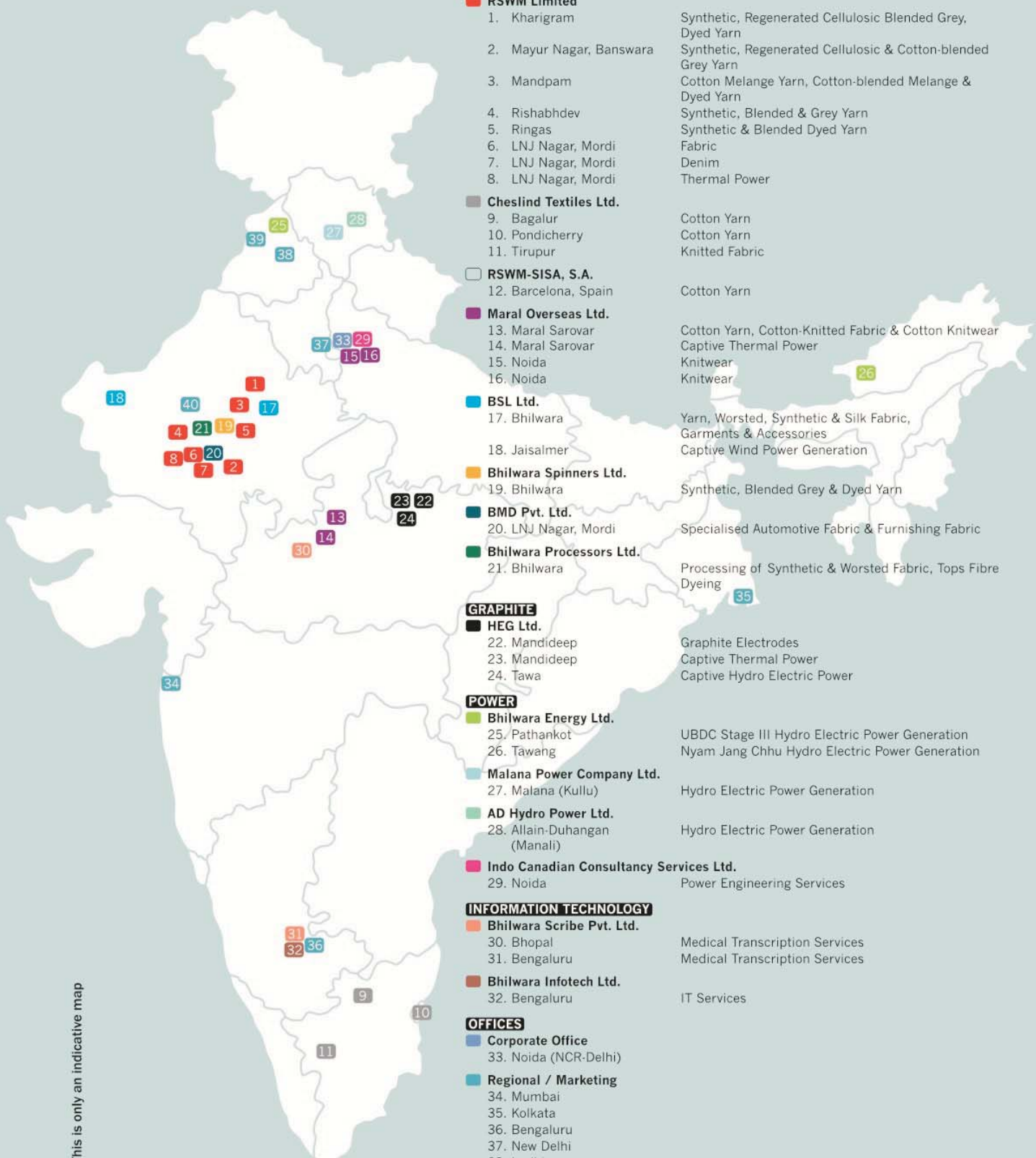
Corporate Office

33. Noida (NCR-Delhi)

Regional / Marketing

34. Mumbai
35. Kolkata
36. Bengaluru
37. New Delhi
38. Ludhiana
39. Amritsar
40. Bhilwara

This is only an indicative map





PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL



Malana Power Company Limited
Bhilwara Towers, A-12, Sector I, Noida - 201301 (NCR - Delhi), India
www.malanapower.com/www.lnjbhilwara.com