



PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL



**CHALLENGES INSPIRE
NEW OPPORTUNITIES.**

Annual Report 2008-2009



Malana Power Company Limited

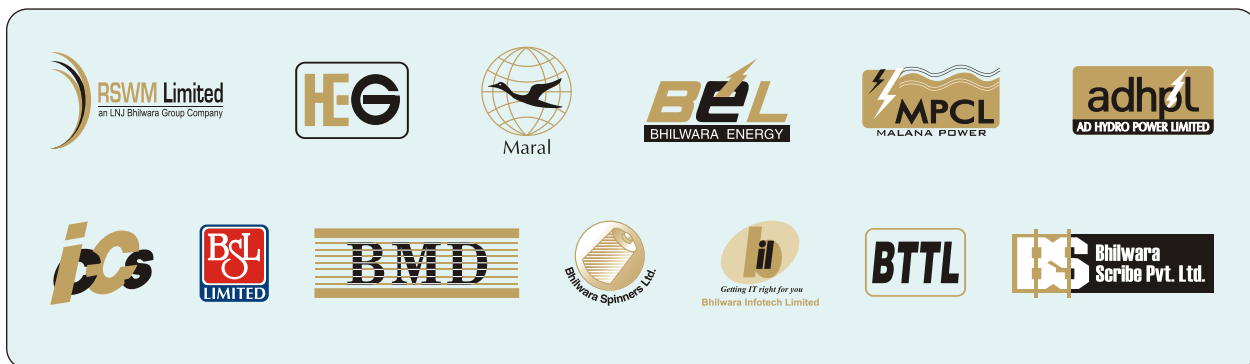


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Group Salient Features

- AD Hydro Power Ltd. 192 MW Hydro Power Project at Manali (H.P.) scheduled to be commissioned by the March, 2010.
- The Group is committed to achieve over 3,000 MW of Power Generation by the year 2017.
- Bhilwara Energy Ltd. collaborated with Mannvit Engineering, Iceland for developing Geothermal Power Projects in India and Nepal.
- The Power Generation up from 90 crore units to 113 crore units during the year because of RSWM TPP and Maral TPP being fully operational.
- RSWM's 46 MW and Maral's 10 MW capacity Thermal Power plants running successfully.
- HEG's additional 33 MW Captive Thermal Power Plant running successfully.
- HEG Ltd. has undertaken a capacity expansion to raise its Graphite Electrodes production to 66,000 TPA.
- The exports constitute 46% of the total turnover.
- The Group's Textile Business has 4.83 lacs spindleage.
- The Group employing over 25,000 people and poised to establish its presence in a leadership position in its businesses.
- HEG has won Dun & Bradstreet Corporate Award, 2008 for the best category in Graphite Electrodes.
- RSWM was felicitated with the 14th Rajiv Gandhi National Quality Award and "Niryat Shree" and SRTEPC Awards during the year.

LNJ Bhilwara Group Companies

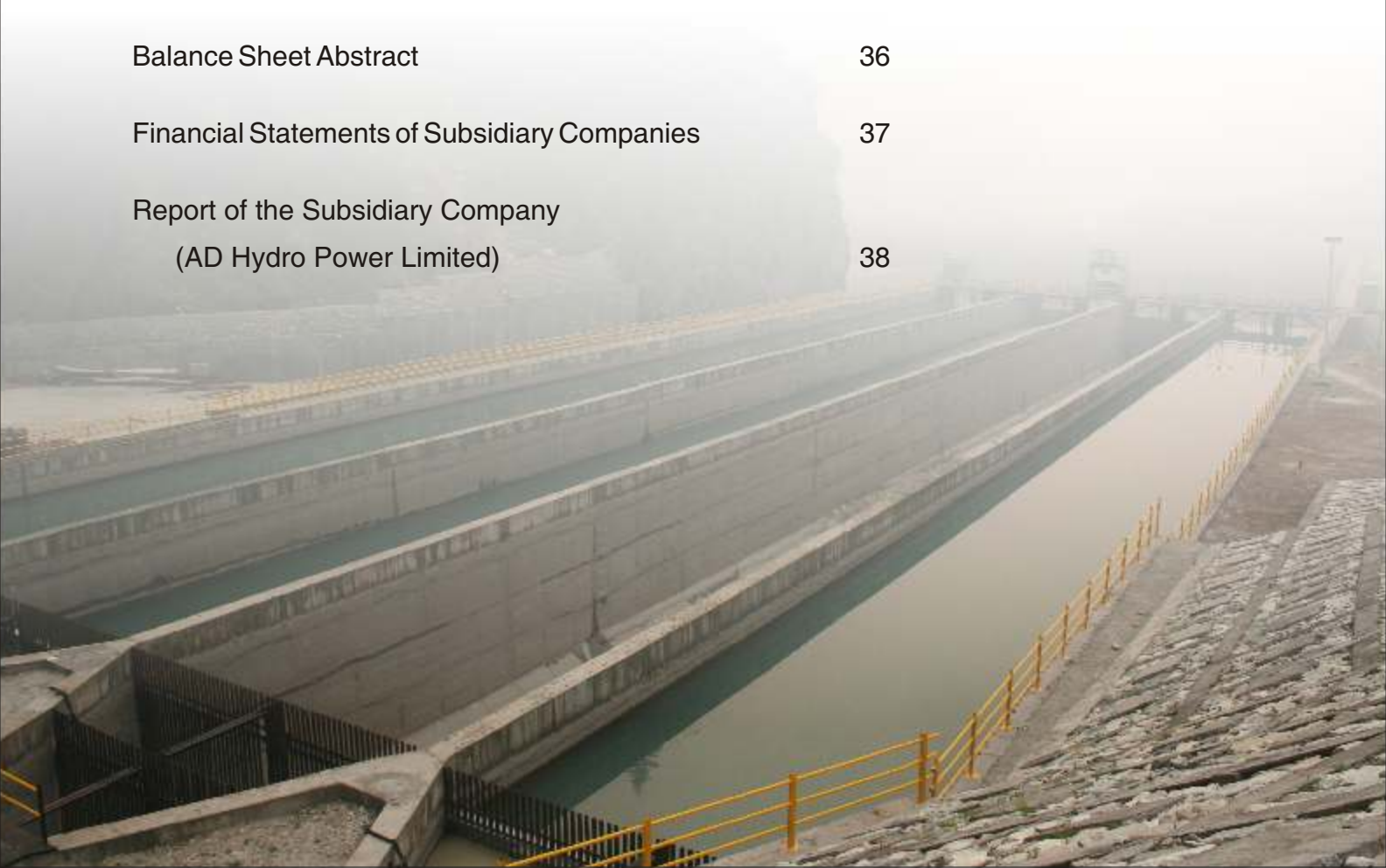


Group Brands



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Chairman's Message

Dear Shareholders

The Indian Economy was influenced to a great extent by the world economy in distress, this was evident in the loss of growth momentum with major drivers witnessing moderation. However, the fiscal stimulus along with other committed expenditures of the Government could arrest the moderation in growth to a great extent. Notwithstanding several challenges, particularly from the global economy, the Indian Economy remained relatively resilient; its financial institutions and private corporate sector remained sound and solvent. Further, the macroeconomic management helped in maintaining lower volatility in both the financial and real sectors in India when compared to several other advanced and emerging market economies.

The growth rate of the Country slipped from over 9% in the previous three fiscal years to 6.7% during 2008-09. One of the key challenges facing the Country is to lead the economy to high GDP growth rate of 9% p.a. at the earliest, and electricity certainly is a key driver for that as power sector is one of the key constituents of infrastructure required for the overall growth of the economy.

While there was some decline in the rate of growth of Indian economy in the financial year 2008-09 owing to the global economic crisis, the power sector remained less affected when compared to other segments of the economy, and the ability of the borrowers in mobilizing capital and debt for new and ongoing projects continued to remain stable.

In the year 2008-09, the electricity generation grew by 2.71% from 704.45 Billion Units (BU) to 723.56 BU, whereas during the same period the requirement grew from 739.35 BU to 774.32 BU. The annual energy shortage increased to 11% from 9.9% in the previous year. The peak shortage however

declined to 12% in the year 2008-09 from 16.6% in the previous year. The gross electricity requirement by the end of Eleventh Plan as projected by the Working Group on Power is 1038 BU and peak demand estimation is 151000 MW. As per the 17th EPS report the expected peak load demand by 2016-17 will be about 2,18,209 MW.

The Government of India has set an ambitious target of meeting the demand of electricity and increasing the per capita availability over 1,000 units. The government has initiated steps to address the growing demand for electricity by increasing the target capacity addition of 78,700 MW in the 11th five year plan and 1,00,000 MW in the 12th five year plan. Despite of this actual capacity addition is not expected to be as projected by the Government. The gap between demand and supply of electricity is expected to remain high in the coming decade.

Power sector will continue to provide one of the biggest avenues to participate in the development of India's infrastructure. The demand for power and the associated transmission and distribution systems is likely to be higher than what most current estimates show.

Hydro power is a renewable, non-polluting and environmentally benign source of energy, which attains particular importance in the context of the current global concern over climate change. Government of India has initiated concentrated efforts for adding over 50,000 MW generation capacity from hydro-power projects in 16 states by 2017.

MPCL recognized the potential and importance of hydropower early and has closely followed the developments in this sector and adopted a multi-pronged approach to leverage the opportunities

MPCL strident progress in the power sector is well supported by enabling domestic policies. The Electricity Act (2003) has created a competitive framework for private companies to participate in the generation, distribution, transmission and trading of power. The reforms are linked to the growing demand of energy in the country.

During the financial year 2008-09 the turnover of the MPCL increased to Rs. 1,853.616 Million as compared to the previous financial year Rs. 1,348.840 Million, which is higher by 37% due to better hydrology, up-gradation and higher energy prices in the market.

On behalf of the Board of Directors, I wish to put on record my thanks and gratitude to all our stakeholders, to the State Government of Himachal Pradesh, Himachal Pradesh State Electricity Board, the Government of India, PTC India Ltd., Financial institutions and Banks, various departments of the State and Centre for their encouragement and support.

Ravi Jhunjunwala
Chairman & Managing Director

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

Ravi Jhunjunwala

DIRECTORS

L. N. Jhunjunwala
Øistein Andresen
Kamal Gupta
Rohini Roshanara Sood
R. P. Goel
Bidyut Shome

KEY EXECUTIVES

M. M. Madan, CEO
O. P. Ajmera, President & CFO
J. K. Berry, General Manager (Operations)

COMPANY SECRETARY

Bharat Singh

STATUTORY AUDITORS

S. R. Batliboi & Company, Gurgaon

INTERNAL AUDITOR

Ashim & Associates, New Delhi

TECHNICAL CONSULTANTS

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

BANKERS

HDFC Bank Limited
Axis Bank Limited
State Bank of India
Punjab National Bank
Punjab & Sind Bank
State Bank of Patiala
Standard Chartered Bank
ICICI Bank Ltd.
Yes Bank Limited

CORPORATE OFFICE

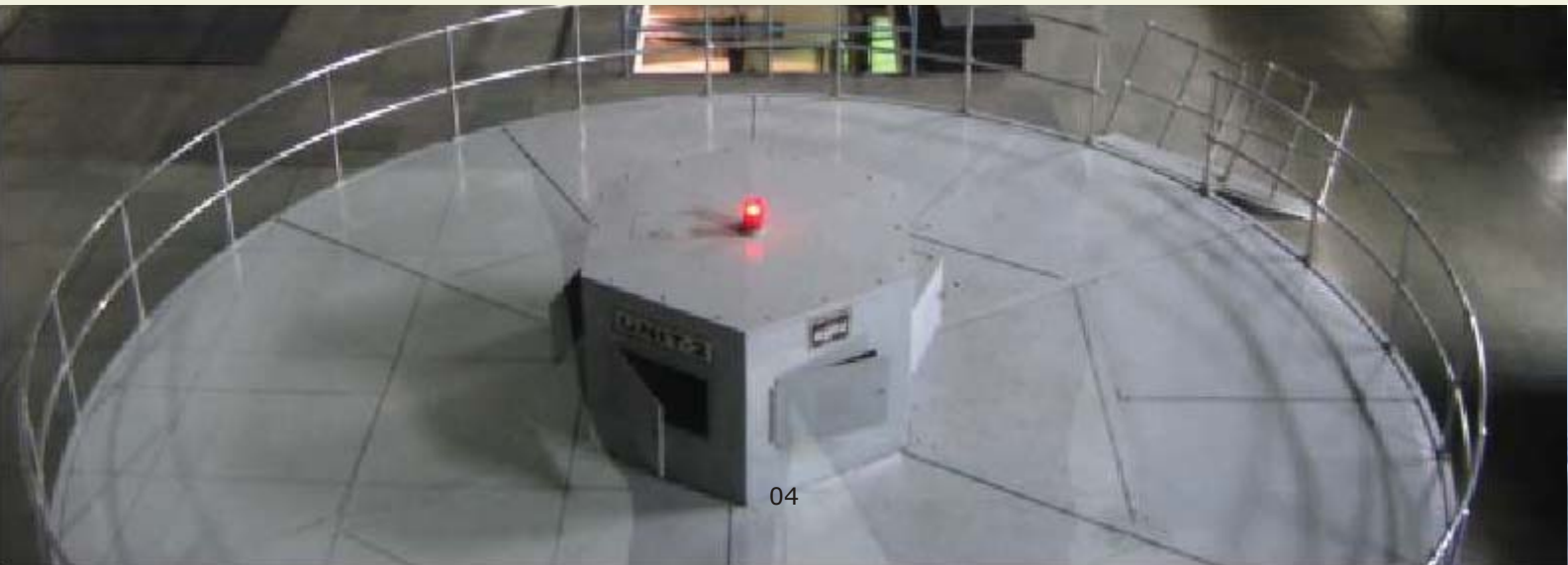
Bhilwara Towers
A-12, Sector - 1
Noida - 201 301 (U.P.)
Phone : 0120-2541810, 4390300
Fax : 0120-2531648, 745
website : www.malanamodelhep.com

REGISTERED & WORKS OFFICE

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

LIAISON OFFICE

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



DIRECTORS' REPORT

TO THE MEMBERS

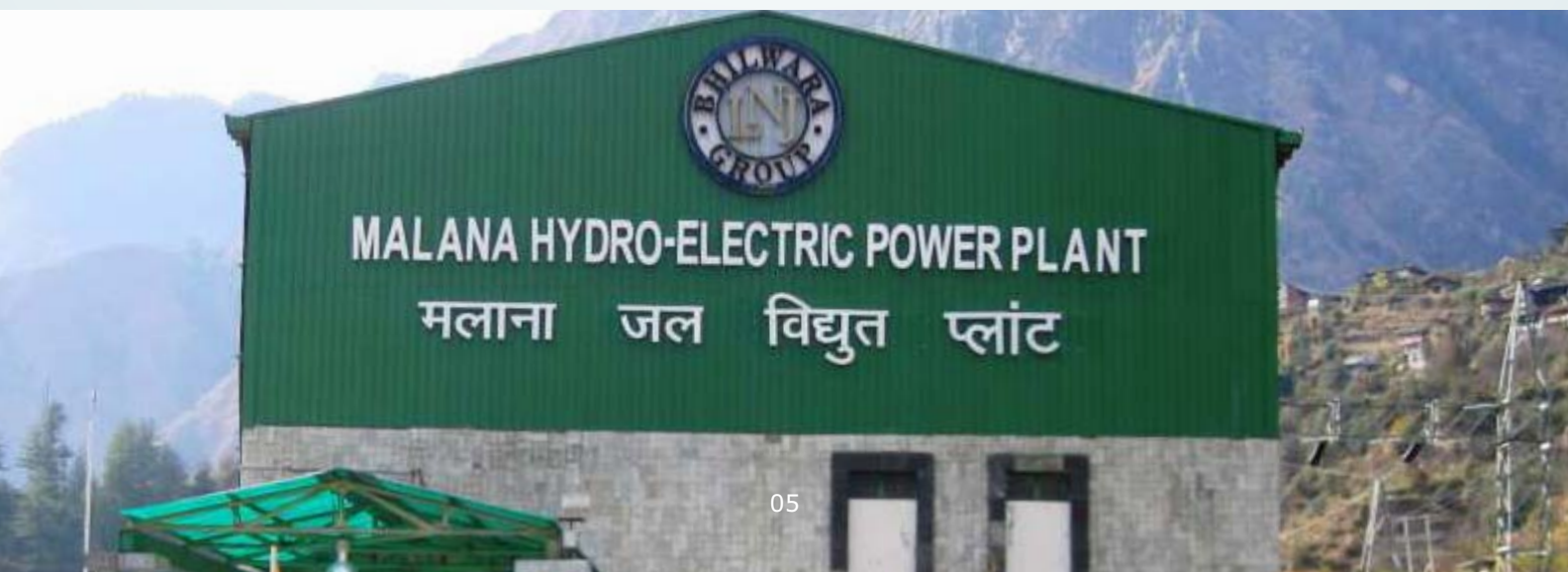
MALANA POWER COMPANY LIMITED

The Directors of the Company are pleased to present their Twelfth Annual Report on the business and operations of the company and audited statement of accounts for the year ended 31st March, 2009 together with the Auditors' Report.

FINANCIAL PERFORMANCE

(Rs. in Million)

Particulars	For the Year ended 31.03.2009	For the Year ended 31.03.2008
TOTAL TURNOVER	1853.616	1,348.840
Less : Discount on prompt payments/Unscheduled interchange charges	58.178	26.723
Net Sales	1795.438	1322.117
Other Income	133.899	24.339
Total Income	1929.337	1346.456
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX	1746.930	1204.469
Interest	105.222	123.255
PROFIT BEFORE DEPRECIATION AND TAX	1641.708	1081.214
Depreciation	201.292	202.723
Profit Before Tax	1440.416	878.491
Provision for Tax		
– Current Tax	163.199	99.533
– MAT credit reverse	–	25.299
– Tax for earlier years	–	23.373
– Deferred Tax	1.299	(98.887)
– FBT/WT Tax	1.150	1.350
NET PROFIT AFTER DEPRECIATION INTEREST AND TAX (PADIT)	1274.768	827.823
Balance brought forward from previous year	1643.727	752.099
AMOUNT AVAILABLE FOR APPROPRIATION	2918.495	1579.92
APPROPRIATION	(5.555)	(64,909)
Transfer to debenture redemption reserve adj. for Employee Benefits provision (net of tax Rs. 141000)	–	1104
Total	(5.555)	(63.805)
Surplus carried to Balance Sheet	2,924.050	1,643.727
Basic and diluted Earning Per Share (EPS), (In Rs.)	8.98	6.28





Your Company continued its rapid growth during the year and the turnover of the company stood at Rs. 1853.616 Million. The Profit after tax increased to Rs1274.768 Million as against the Profit after tax of Rs 827.823 Million recorded during the previous year. The cash profits from the business also increased to Rs.1477.359. Millions from Rs.956.958 Millions. The Company has delivered 210000 units of VER's during the year, which has earned Rs. 66.50 Millions.

DIVIDEND

Keeping in view the financial commitment of the Company, 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 99.98% and as per the available hydrology data the generation stood at 360.050 Million Units. The operation data for the year is as given below:

(In Million Units)

S. No	Particulars	2006-07	2007-08	2008-09
1.	Total Generation	326.993	339.825	360.050
2.	Less: Auxiliary Transmission Loss	3.688	3.732	4.184
3.	Less: Royalty/Wheeling to Govt. HPSEB	59.488	61.841	65.479
4.	Total Units sold	265.358	273.827	289.125

MEASURES TO ENHANCE THE GENERATION

To utilize surplus water during monsoon months i.e. from mid June to mid September every year, the Company has undertaken certain measures to enhance the generation capacity of each machine in two phases. In the first phase by increasing the stroke of injectors in both the units, and in second phase by replacing the existing runner by new upgraded runner and existing injectors by bigger jet diameter injectors, in one of the unit.

First phase upgradation in unit 1 was completed in April, 2008 and in unit no-2 first phase up-gradation has been completed in Jan, 2009.

For 2nd phase upgradation in one of the unit supply of equipment has been tied up and 2nd phase upgradation will be completed in May, 2010.

In the first phase, by increasing the stroke of injectors, the generating capacity will be enhanced by 4.0%. In the second phase the capacity of machine will be enhanced by 6.0% further by replacing the existing runners by new upgraded runners.

The above measures are expected to increase the generation by 7.0 million units over and above the 20% continuous overloading capacity of the machine during monsoon months.

POWER SALES

During the year the company recorded a sale of 289.125 Million units as against 273.826 Million units during the previous year. The company has been selling its generated power to PTC India Ltd. (Formerly Power Trading Corporation of India) on short term contract basis. The present contract with PTC is expiring on 30th June 2009. Your Directors are pleased to inform you that the company has already entered into power sale contract with PTC India Ltd. for another one year from July, 2009 to June, 2010. The Company has finalized sale of Malana Power to Punjab through PTC India Limited for the period July, 2009 to June, 2010.

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 7 to 8 percent annually, the demand for power has been outstripping supply. The company believes the power demand and supply gap to widen further with the growing economy and continue to remain over the next few years. India continues to experience acute shortages in energy supply (11%) and peak load capacity (12%). 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 6.7% and current per capita consumption is at 704 kWh, as against the world average of 2,596 kWh. 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. During the 10th five year plan (2002- 2007), the total capacity addition was 21,180 MW as compared to the planned capacity addition of 41,110 MW. During current five year plan (11th Plan), there is only 12716.7 MW Capacity addition till March 2009 as against a target of 27396.4 MW.

National Supply & Demand: Situation

Historical Energy Demand Supply Scenario

		FY04	FY05	FY06	FY07	FY08	FY09
Energy Demand	MU	559264	591373	631757	697961	737052	774324
Energy Availability	MU	519398	548115	578819	624495	664660	689021
Energy Deficit	MU	39866	43258	52938	73466	72392	85303
Energy Deficit	%	7.1%	7.3%	8.4%	10.6%	9.8%	11.0%
Peak Demand	MW	84574	87906	93255	100715	108886	109809
Peak Availability	MW	75066	77652	81792	86818	90793	96685
Peak Deficit	MW	9508	10254	11463	13897	18093	13124
Peak Deficit	%	11.2%	11.7%	12.3%	13.8%	16.7%	12.0%

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 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 boost to the concept of merchant power market.

Volumes of Electricity Traded by Trading Community has increased rapidly from 14,188 GWh in the year 2004-05 to 17,325 GWh in the year 2007-08.

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 7.35/kWh at frequencies of less than 49.22 Hz.





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 up the willingness to pay and the average tariff price traded.

HUMAN RESOURCE DEVELOPMENT

Employees are vital to the Company. We have created a favorable work environment that encourages innovation and meritocracy. The Human Resources Development strategy focuses on building the competence, commitment and motivation of employees. Focus of recruitment is to recruit people with a combination of knowledge, skill, experience and attitude in line with the organisational requirements through appropriate manpower plan. The Company recognizes serious dearth of trained expert personnel in power sector. With the expansion of the power market, there is growing requirement for not just qualified engineers, but also for finance, marketing, commercial, IT and HR personnel.

The Company recognizes human resources as a key component for facilitating organization growth and regularly invests in augmenting its human resources with latest tools, equipments and techniques through focused and structured become an attractive employer in the industry.

The company is also committed to provide a zero injury workplace to its employees and workers all across its units. Employees are adequately covered under various insurance policies against risk of health and life disasters. The company continues to empower its employees to achieve business successes.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

INTERNAL CONTROL SYSTEMS

Your Company has an adequate internal control procedure commensurate with the nature of its business and size of its operations. Internal Audit is conducted at regular interval. The internal control system in all areas of operations, regularly checked by both external and internal auditor that have access to all records and information. The Company also maintains 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 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 & swiftness of issue resolution through follow ups.

ENVIRONMENT RESPONSIBILITY

The Company has planted 85,000 fast growing trees and 900 fruit trees around the Project Area. It is also planning to sow 20,000 trees in next two years and company has also planted local shrub for rehabilitation of dumping site. The disposal of hazardous waste is being done as per approved standard/Norms of Pollution Control Board.

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

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. We endeavour to manage these in a responsible manner, believing 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 working environment, which is both safe and fit for the intended purpose and ensures that health and safety issues are a priority for all business operation

As a constructive partner in the communities in which it operates, company has been taking concrete action to realize its social responsibility and has spent on the 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, constructing school and hospital building to improve the educational and health status of the region. To make our efforts sustainable we have been providing teachers to the local Govt. school and are also providing free medicines.

DISCLOSURE OF PARTICULARS:

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

PARTICULARS OF EMPLOYEES:

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

- 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 2008-2009
- iii) that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) that the annual accounts have been prepared on going concern basis.

DIRECTORS

Ms. Rohini Roshanara Sood was appointed as an additional director of the Company with effect from 25th March, 09 until the conclusion of the next annual general meeting. The Board recommends the appointment of Ms. Rohini Roshanara Sood on the Board of the Company.





Mr. L. N. Jhunjunwala and Mr. Øistein Andresen, Directors retire by rotation and being eligible, offers themselves for reappointment. During the year, Mr. Einar Stenstadvold resigned from the board of directors of the Company on 21st March, 2009. The Board of Directors wishes to place on record their appreciation towards the contribution made by Mr. Einar Stenstadvold as a member of the Board.

AUDIT COMMITTEE

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

SUBSIDIARY COMPANY

The 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 March, 2010.

The Annual Report for the year 2008- 09 and Accounts for the year ended on March, 09 as required under Section 212 of the Companies Act, 1956 of the said subsidiary Company is attached.

AUDIT REVIEW

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

REDEMPTION OF DEBENTURES

During the financial year 2008-2009, amounting to Rs. 22.2 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. 18.691. million. (Equivalent of USD .386 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 42,61,334 Equity shares of Rs. 10 /- each at a premium of Rs. 125/- per share fully paid up to M/s Bhilwara Energy Limited and 40,94,221 Equity shares of Rs. 10 /- each at a premium of Rs. 125/- per share fully paid up to M/s S N Power Holding Singapore Pte Ltd on 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 are at focus while determining the corporate mission objective, which in turn determine the course of action of each employee of organization. A Code of Conduct giving ethical guidance and setting clear limits to how individual officers of the Company shall face ethical dilemmas is in place.

The majority of the board comprises of Non-Executive Directors who play a critical role in imparting balance to the Board

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

AUDITORS

M/s S. R. Batliboi & Co., Chartered Accountants has conveyed their willingness for re appointment as statutory auditors of the Company for the financial year ending on 31st March, 2010. The Company has also received consent letter from M/s S.R. Batliboi & Co., Chartered Accountants under section 224(1) (b) of the Companies Act, 1956 being eligible showing willingness for their appointment as statutory auditors of the Company for the financial year ending on 31st March, 2010. The Board recommends for 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.

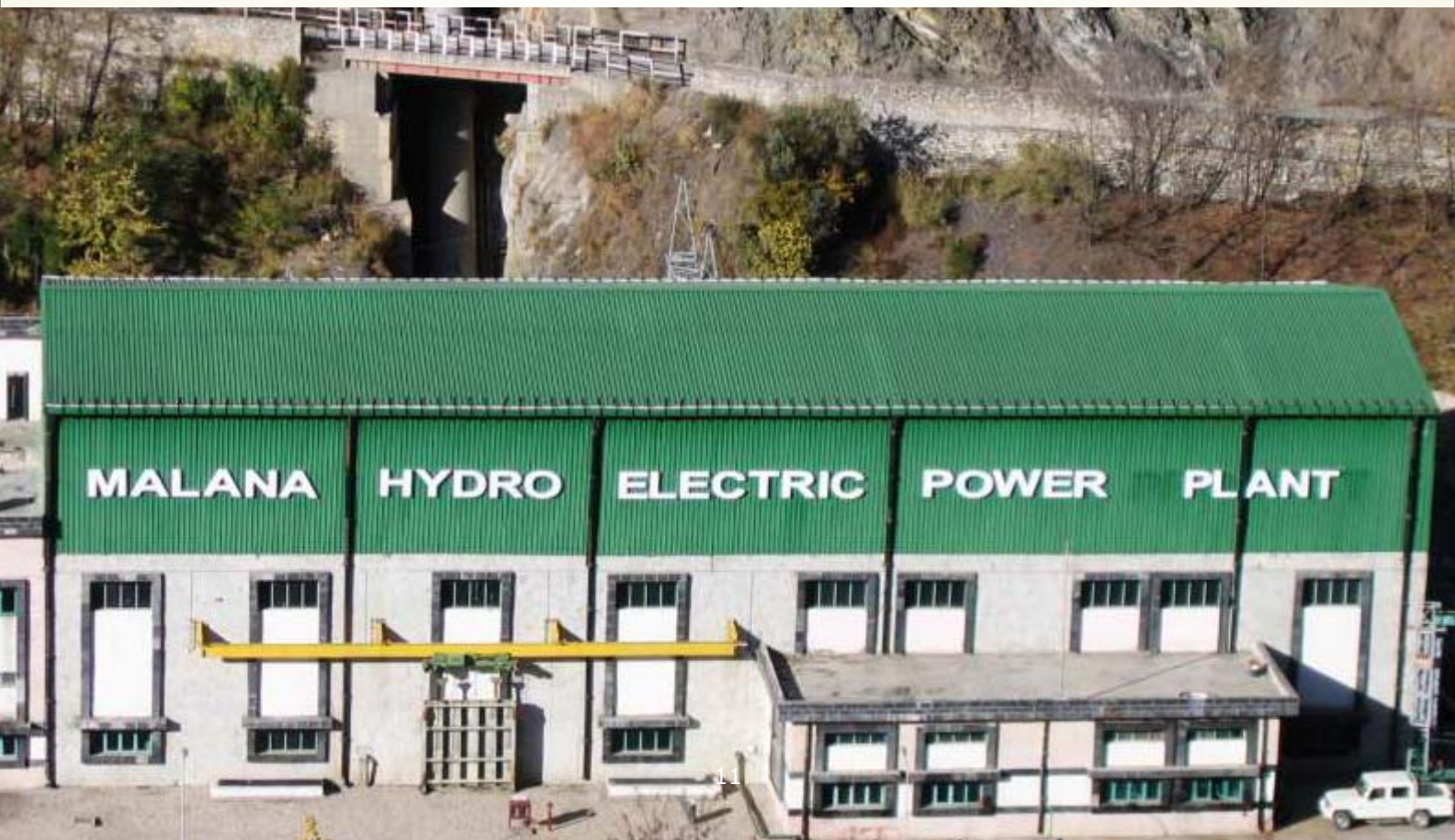
ACKNOWLEDGEMENT

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 Governmental Departments. They thank them for the trust reposed in the Management and wish to thank all employees for their commitment and the achievement and looks forward to their continued support and cooperation in the coming years as well. Your Directors are also appreciative for the generous support provided by the debenture holders.

For and on behalf of the Board of Directors

Place: Noida
Date: 13th August, 2009

Ravi Jhunjunwala
Chairman and Managing Director



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

- | | | |
|--|---|-----|
| 1. CONSERVATION OF ENERGY | – | NIL |
| 2. TECHNOLOGY ABSORPTION | – | NIL |
| 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) Travelling Expenses	0.560	6.03
c) Professional Expenses	18.120	1.567
Fees and Subscription	.011	–
Total	18.691	7.60
II) Foreign Exchange Earnings		
Others (Sale of Voluntary Emission Rights)	66.528	–
Total	66.528	–

ANNEXURE II TO THE DIRECTORS REPORT

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of Directors Report for the year ended 31st March 2009 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	24.146	B.Com (Hons) MBA	29	54	1.11.2001

II. Persons employed for the part of the year

Name	Designation	Remuneration (Rs. in Million)	Qualification	Experience	Age	Date of Commencement of Employment
Mr. M.M. Madan	CEO	2.197	B Tech. (Civil), MBA	31	55	11.09.2008



AUDITORS' REPORT

To

The Members of Malana Power Company Limited

1. We have audited the attached Balance Sheet of Malana Power Company Limited ('the Company') as at March 31, 2009 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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 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, 2009;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place : Gurgaon
Date : August 13, 2009

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.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has granted loan to one company covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 3,292,519 thousand and the year- end balance of loan granted to such company was Rs. 1,560,679 thousand.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan is not prima facie prejudicial to the interest of the Company.
- (c) As informed to us and as per the terms of the draft Subordination Loan agreement with the lenders shared with us, the loan granted and interest thereon is re-payable after the project commences commercial operations. Accordingly, the Company has not demanded repayment of any such loan and interest thereon during the year and there has been no default on part of the party to whom the money has been lent.
- (d) There is no overdue amount of loan granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (e) The Company had taken 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. 150,000 thousand and the year-end balance of loan taken from such party was Nil.
- (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 loan is not prima facie prejudicial to the interest of the Company.
- (g) In respect of loans taken, repayment of the principal amount is as stipulated and payment of interest has been regular.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of power. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) 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 explanations 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 banks and financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has 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 such 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.

**For S. R. BATLIBOI & CO.
Chartered Accountants**

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

Place : Gurgaon
Date : August 13, 2009

BALANCE SHEET AS AT 31st MARCH, 2009

		(Rs. '000)	
	Schedule	As at March 31, 2009	As at March 31, 2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	1,475,257	1,391,702
Reserves and surplus	2	6,198,062	3,878,850
		7,673,319	5,270,552
Loan funds			
Secured loans	3	1,399,735	1,630,588
Unsecured loans	4	198,261	–
		1,597,996	1,630,588
Deferred tax liability (net)	5	224,997	223,698
TOTAL		9,496,312	7,124,838
APPLICATION OF FUNDS			
Fixed assets			
	6		
Gross block		3,290,738	3,286,337
Less : Accumulated depreciation/amortisation		996,809	795,685
Net block		2,293,929	2,490,652
Capital work in progress (including capital advances)		690,017	638,205
		2,983,946	3,128,857
Investments	7	4,929,556	3,538,500
Current Assets, Loans and Advances			
Inventories	8	20,052	19,581
Sundry debtors	9	21,608	29,607
Cash and bank balances	10	26,152	33,722
Other current assets	11	39	28
Loans and advances	12	1,857,346	690,280
		1,925,197	773,218
Less: Current liabilities and provisions			
Current liabilities	13	305,711	273,790
Provisions	14	36,676	41,947
		342,387	315,737
Net current assets		1,582,810	457,481
TOTAL		9,496,312	7,124,838
Notes to Accounts	20		

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

As per our report of even date
For **S. R. Batliboi & Co.**
Chartered Accountants
per Raj Agrawal
Partner
Membership No. 82028

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA
Chairman & Managing Director

ROHINI ROSHANARA SOOD
Director

Place : Gurgaon
Dated : August 13, 2009

BHARAT SINGH
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2009

		(Rs. '000)	
	Schedule	As at March 31, 2009	As at March 31, 2008
INCOME			
Turnover		1,853,616	1,348,840
Less : Discount on prompt payments		37,232	26,723
Less : Unscheduled interchange charges		20,946	-
Turnover (net)		1,795,438	1,322,117
Other income	15	133,899	24,339
TOTAL		1,929,337	1,346,456
EXPENDITURE			
Wheeling cost		18,149	17,141
Personnel expenses	16	32,752	32,005
Operating and other expenses	17	131,506	92,891
Depreciation	6	201,292	202,723
Financial expenses	18	105,222	123,255
TOTAL		488,921	468,015
Profit before tax		1,440,416	878,441
Current tax		163,199	99,533
MAT credit entitlement (availed) / reversed		-	25,299
Tax for earlier years		-	23,373
Deferred tax charge / (credit)		1,299	(98,887)
Fringe benefit tax		1,150	1,300
Total tax expense		165,648	50,618
Net Profit for the year		1,274,768	827,823
Balance brought forward from previous year		1,643,727	752,099
Profit available for appropriation		2,918,495	1,579,922
APPROPRIATION:			
Transfer to/(from) Debenture Redemption Reserves		(5,555)	(64,909)
Adjustment for Employee Benefits provision (previous year net of tax Rs. 141 thousand)		-	1,104
TOTAL		(5,555)	(63,805)
Surplus carried to balance sheet		2,924,050	1,643,727
Earnings per share (In Rupees)			
- Basic/Diluted (Nominal value Rs. 10 per share)	19	8.98	6.28
Notes to Accounts	20		

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

As per our report of even date

For **S. R. Batliboi & Co.**

Chartered Accountants

per **Raj Agrawal**

Partner

Membership No. 82028

Place : Gurgaon

Dated : August 13, 2009

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA
Chairman & Managing Director

ROHINI ROSHANARA SOOD
Director

BHARAT SINGH
Company Secretary

SCHEDULES

SCHEDULE 1 : SHARE CAPITAL

	As at March 31, 2009	As at March 31, 2008
		(Rs. '000)
Authorised	1,600,000	1,400,000
160,000,000 (previous year 140,000,000) equity shares of Rs.10 each		
Issued and Subscribed		
147,525,731 (previous year 139,170,176) equity shares of Rs.10 each	1,475,257	1,391,702
Paid-up		
147,525,731 (previous year 139,170,176) equity shares of Rs.10 each, fully paid up *	1,475,257	1,391,702
*Of the above 75,238,123 (Previous year 70,976,789) equity shares are held by Bhilwara Energy Ltd., the holding company and its nominees.		
	1,475,257	1,391,702

SCHEDULE 2 : RESERVES AND SURPLUS

	As at March 31, 2009	As at March 31, 2008
		(Rs. '000)
Securities premium account		
Balance as per last account	2,210,123	1,180,493
Add: received during the year	1,044,444	3,254,567
Debenture redemption reserve		
Balance as per last account	25,000	89,909
Transferred (to)/from profit and loss account	(5,555)	19,445
Profit and Loss Account	2,924,050	1,643,727
	6,198,062	3,878,850

SCHEDULE 3 : SECURED LOANS

	As at March 31, 2009	As at March 31, 2008
		(Rs. '000)
Debentures		
Redeemable non-convertible debentures of Rs.1,000 thousand each (Refer Note 1 below)	77,778	100,000
Loans and advances from banks		
Term loans (refer note 2 below)		
– Rupee loans	755,167	966,748
– Foreign currency loans	66,790	821,957
Short term loans		
– From banks (refer note 3 below)	500,000	500,000
	1,399,735	1,630,588

Notes:

1. 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 Limited 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 installments 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 Limited (NIA) exercised the call option and 50 debentures of Rs. 1000 thousand each held by NIA were redeemed completely during the last year. The other debenture holders opted to hold the debentures and repayment is being made as per the schedule. Redemption of Rs 611 thousand (previous year Rs 500 thousand) on each debenture has been made till date.
2. 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.
3. Short term loan is secured by subservient charge on movable fixed assets of the Company.
4. Debentures and loans and advances from banks aggregating to Rs. 832,221 thousand (Previous year Rs. 248,700 thousand) are repayable within one year.

SCHEDULE 4 : UNSECURED LOANS

	(Rs. '000)	
	As at March 31, 2009	As at March 31, 2008
Short-term loans & advances		
– From banks	83,333	–
– From holding company	114,928	–
	198,261	–

SCHEDULE 5 : DEFERRED TAX LIABILITY (NET)

	(Rs. '000)	
	As at March 31, 2009	As at March 31, 2008
Deferred tax liabilities		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	224,997	224,388
Gross Deferred Tax Liabilities	224,997	224,388
Deferred tax assets		
Effect of expenditure debited to profit and loss account in the current year but allowed for tax purposes in following years	–	690
Gross deferred tax assets	–	690
Deferred tax liability (net)	224,997	223,698

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Schedule 6 : FIXED ASSETS

(Rs. '000)

	Land- Freehold	Road & Building	Civil Works	Trans mission Lines	Plant & Machinery	Furniture & Fittings	Office & Other Equipments	Vehicles	Total Tangible Assets	Software	Total Intangible Assets	Total	Previous Year
Gross Block													
At at April 1, 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
Additions	-	-	-	-	1,997	138	1,271	1,384	4,790	35	35	4,825	3,087
Deductions/ Adjustments	-	-	-	-	-	130	96	198	424	-	-	424	5,495
As at March 31, 2009	21,517	224,958	1,847,265	199,670	958,063	5,743	9,934	11,890	3,279,040	11,698	11,698	3,290,738	3,286,337
Depreciation													
At at April 1, 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
For the year	-	7,572	120,357	10,549	58,022	446	1,097	2,417	200,460	832	832	201,292	202,723
Deletions / Adjustments	-	-	-	-	-	82	59	27	168	-	-	168	2,282
As at March 31, 2009	-	56,646	504,895	80,593	325,868	3,750	6,693	8,210	986,655	10,154	10,154	996,809	795,685
Net Block 31.03.2009	21,517	168,312	1,342,370	119,077	632,195	1,993	3,241	3,680	2,292,385	1,544	1,544	2,293,929	2,490,652
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	
Capital Work in Progress													
Building under erection												37,430	24,423
Capital Advances												12,839	-
Advance for project allotted (refer note 3 below)												639,748	613,782
Sub Total												690,017	638,205
Total Fixed Assets as at March 31, 2009	21,517	168,312	1,342,370	119,077	632,195	1,993	3,241	3,680	2,292,385	1,544	1,544	2,983,946	3,128,857

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.
- 3) Includes Rs. 27,748 thousand (Previous year Rs. 1,782 thousand) towards consultancy expenses on project allotted.

SCHEDULE 7: INVESTMENTS

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Long term investments (at cost) In subsidiary company		
Unquoted		
430,155,640 (previous year 353,850,000) 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)	4,301,556	3,538,500
Share application money pending allotment in AD Hydro Power Limited	628,000	-
	4,929,556	3,538,500

SCHEDULE 8: INVENTORIES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Stores and spares	20,052	19,581
	20,052	19,581

SCHEDULE 9: SUNDRY DEBTORS

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
(Unsecured, considered good)		
Outstanding for a period exceeding six months	-	-
Other debts	21,608	29,607
	21,608	29,607

SCHEDULE 10: CASH AND BANK BALANCES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Cash on hand	318	386
Balances with scheduled banks:		
On current accounts	23,815	31,453
On deposit accounts	1,054	1,054
On margin money account	965	829
	26,152	33,722

Included in deposit accounts and against margin money are :

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

SCHEDULE 11: OTHER CURRENT ASSETS

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Interest accrued on deposits and others	39	28
	39	28

SCHEDULE 12: LOANS AND ADVANCES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Unsecured, considered good		
Loans to employees	3,032	1,302
Loan to subsidiary company (long term)	1,560,679	416,071
Advances for projects (Refer note no. 10 of schedule 20)	252,630	252,630
Other advances recoverable in cash or in kind or for value to be received	38,190	17,462
Deposits - others	2,815	2,815
	1,857,346	690,280
Included in Loans and Advances are :		
i. Dues from the company under the same management HEG Limited (Maximum amount outstanding during the year Rs. 150,000 thousand (Previous year Rs. 500 thousand)	-	500
AD Hydro Power Limited (Maximum amount outstanding during the year Rs. 3,292,519 thousand (Previous year Rs. 469,044 thousand)	1,560,679	416,070

SCHEDULE 13: CURRENT LIABILITIES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Sundry creditors		
(a) Outstanding dues of Micro & Small Enterprises *	-	-
(b) Outstanding dues of creditors other than Micro & Small Enterprises (*Refer note no 11 of Schedule 20)	35,747	17,629
Deposits from holding company (Refer note no. 10 of schedule 20)	252,630	252,630
Deposits from contractors and others	1,190	1,683
Interest accrued but not due on loans	10,787	-
Other liabilities	5,357	1,848
	305,711	273,790
Creditors includes		
Managing Director's commission payable	14,643	8,947

SCHEDULE 14: PROVISIONS

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Provision for Fringe Benefit Tax (net of advance fringe benefit tax Rs. 3,133 thousand, Previous Year Rs. 1,876 thousand))	17	124
Provision for Wealth Tax	30	50
Provision for Income Tax (net of advance tax Rs 280,234 thousand (previous year Rs. 111,454 thousand))	28,258	32,839
Provision for Gratuity	1,002	2,002
Provision for Long term compensated absences	2,161	2,030
Provision for Continuity Linked Bonus	5,208	4,902
	36,676	41,947

SCHEDULE 15: OTHER INCOME

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Interest from subsidiary company (Gross, tax deducted at source Rs. 14,647 thousand (previous year Rs. nil))	64,640	-
Interest on bank deposits (Gross, Tax deducted at source Rs. 56 thousand, Previous year Rs. 1,169 thousand)	248	5,250
Interest on income tax refund	517	1,133
Insurance claim	-	6,492
Foreign exchange fluctuation (net)	-	7,532
Profit on sale/discard on fixed assets (net)	270	1,736
Sale of voluntary emission reductions	66,528	-
Miscellaneous income	1,696	2,196
	133,899	24,339

SCHEDULE 16: PERSONNEL EXPENSES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Salaries , wages and other expenses	25,161	26,912
Contribution to provident funds	1,806	1,315
Contribution to superannuation funds	1,028	886
Gratuity expenses	971	312
Workmen and staff welfare expenses	3,786	2,580
	32,752	32,005

SCHEDULE 17: OPERATING AND OTHER EXPENSES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Power and Fuel	3,822	4,741
Repairs and maintenance		
– Plant and machinery	27,721	18,919
– Civil works	307	604
– Buildings	701	232
– Others	1,577	1,198
Rent	3,623	1,206
Rates and taxes	1,121	26
Insurance	12,260	15,143
Travelling & conveyance	6,398	9,960
Director's remuneration	9,503	8,987
Commission to Managing Director	14,643	8,947
Auditor's remuneration :		
– Fees for statutory audit	552	562
– Fees for international reporting	348	225
– Fees for certification	239	112
– Out of pocket expenses	4	19
Foreign exchange fluctuation (net)	17,042	–
Donations and contributions (other than to political parties)	1,217	3,603
Commission on sale of Voluntary emission reductions	9,978	–
Miscellaneous expenses	20,450	18,407
	131,506	92,891

SCHEDULE 18: FINANCIAL EXPENSES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Interest		
– On term loans and debentures	101,293	119,932
– To banks	136,481	5,648
– To others	1,000	–
Less : Interest recovered from subsidiary company	(135,283)	(5,163)
– Bank charges including guarantee commission (net of commitment charges reimbursed by subsidiary company Rs. 7,750 thousand (previous year Rs nil)	1,731	2,838
	105,222	123,255

SCHEDULE 19 : EARNINGS PER SHARE (EPS)

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Net profit as per profit and loss account	1,274,768	827,823
Equity shares at the beginning of the year	139,170,176	130,933,140
Equity shares at the end of the year	147,525,731	139,170,176
Weighted average number of equity shares in calculating basic/diluted EPS	142,003,986	131,808,864
Basic & Diluted Earnings Per Share (in Rupees)	8.98	6.28

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 standards 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 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 management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the 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) 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.

(d) Depreciation

- (i) On the assets of generating unit and other Plant & Machinery, depreciation is provided on straight-line method at the rates based on their estimated useful lives, which corresponds to the rates prescribed in Schedule XIV 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 based on their estimated useful lives, which corresponds to 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.

(e) Leases

Where the Company is the lessee

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

(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 and 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.

Voluntary Emission Rights (VER)

Revenue is recognised as when the VER's are sold and it is probable that the economic benefits will flow to the Company.

(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.

(j) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund and Superannuation Schemes are defined contribution schemes 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 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.

(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 at the end of each financial year.

(iv) Liability under continuity linked loyalty bonus scheme is provided for on actuarial valuation basis, which is done as per projected unit credit method at the end of each financial year.

(v) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(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, 1961 enacted in India. Deferred income taxes reflect 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 and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

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

3. The Company's activities during the year involved generation of the Hydro power (Refer Note 1). Considering the nature of Company's business and operations, there are no separate reportable segments (business and/ or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting' issued by the Institute of Chartered Accountants of India (ICAI) and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.
4. 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, based on its profitability, it has decided to avail the deduction from the accounting year 2007-08 and will continue to avail it till accounting year 2015-16. The Company is liable to pay Income-Tax for the year under the provisions of Section 115JB of the Income-Tax Act, 1961.
5. 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.

6. Contingent Liabilities not provided for

- (a) Guarantee given for loans availed by 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.

7. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 761,145 thousand (Previous Year Rs. 645,509 thousand)

8. Related Party Disclosure

(a) Name of related parties

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

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(b) Transaction with related parties

(Rupees '000)

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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Transactions during the year										
Rent										
a) Mr. Rishabh Jhunjhunwala							1,740	1,646		
b) Mr. Riju Jhunjhunwala							1,740	1,646		
c) RSWM Limited									3,620	1,153
Consultancy service charges paid to Indo Canadian Consultancy Services Limited.			220	1,546						
Remuneration paid to Mr. Ravi Jhunjhunwala,					9,503	8,987				
Commission paid to Mr. Ravi Jhunjhunwala,					14,643	8,947				
Reimbursement of expenses paid to HEG Limited									2,266	823
Reimbursement of expenses paid to RWSM Limited									546	828
Reimbursement of expenses paid to Indo Canadian Consultancy Services Limited			1034	167						
Reimbursement of expenses paid to AD Hydro Power Limited			3,125	2,939						
Reimbursement of expenses recovered from AD hydro Power Limited			10,061	13,685						
Reimbursement of expenses recovered from Indo Canadian Consultancy Services Limited			698	683						
Share application money given to AD Hydro Power Limited (net)			1,391,056	-						
Shares acquired in AD Hydro Power Limited			763,056	1,628,000						
Allotment of Shares to Bhilwara Energy Limited	42,613	42,009								
Allotment of Shares to SN Power Holdings Singapore									40,942	40,361
Securities Premium on Allotment of shares to Bhilwara Energy Limited	532,667	525,111								
Securities Premium on Allotment of shares to SN Power Holdings Singapore									511,778	504,518
Unsecured Loan repaid to Bhilwara Energy Limited	646,602	564,972								
Unsecured Loan taken from Bhilwara Energy Limited	761,700	817,482								
Unsecured Loan repaid by AD Hydro Power Limited			2,212,132	1,732,555						
Unsecured loan taken from HEG Limited									150,000	-
Unsecured loan repaid to HEG Limited									150,000	-
Unsecured Loan given to AD Hydro Power Limited			3,356,741	2,008,625						
Interest Expense recovered on Unsecured loan given to			199,923	5,163						

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	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
AD Hydro Power Limited										
Interest expense on loan from HEG Limited									3,345	-
Sale of fixed assets to AD Hydro Power Limited			-	2,030						
Balances outstanding as at the year end										
Balances Receivable:										
Investment in AD Hydro Power Limited			4,929,556	3,538,500						
Unsecured Loan given to AD Hydro Power Limited			1,560,679	416,070						
Interest amount on Unsecured Loan			199,923	5,163						
Receivable from RSWM Ltd.									157	-
Receivable from HEG Limited									-	500
Balances Payable:										
SN Power Holding, Singapore	277	40								
Unsecured Loan taken from Bhilwara Energy Limited	125,715	-								
Deposit taken from Bhilwara Energy Limited	252,630	252,630								
Indo Canadian Consultancy Services Limited			1,558	1,001						
Mr. Ravi Jhunjhunwala					14,643	8,947				
Guarantees given by the Company on behalf of AD Hydro Power Limited			450,000	450,000						
Payable to HEG Limited									4,353	-
Payable to RSWM Limited									-	387

9. Supplementary Statutory Information

(Rs.'000)

	2009	2008
(a) Managing Directors Remuneration		
Salaries	5,525	5,225
Commission	14,643	8,947
Rent paid	3,315	3,135
Contribution to Provident Fund	663	627
	24,146	17,934

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

	2009	2008
(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	1,440,416	878,491
Add: Depreciation as per Profit & Loss Account		
Depreciation as per Profit & Loss Account	201,292	202,723
Directors' remuneration	24,146	17,934
	1,665,584	1,099,148
Less: Depreciation u/s 350 of the Companies Act	201,292	202,723
Profit on sale of Fixed Assets	270	1,736
Net Profit in accordance with Section 198 and 349	1,464,292	894,689
Commission @ 1% of Net Profit	14,643	8,947

10. During the previous year, the Company has paid 50% upfront premium of Rs. 252,630 thousand to the Government of Himachal Pradesh as first instalment for the 140 MW Chango Yangthang HEP project which was awarded to the Company. This amount has been paid by the Company on behalf of its holding company, Bhilwara Energy Limited ('BEL') with an understanding that all rights, obligations, rewards and risks of this project will belong to BEL. For making the said payment, a corresponding amount of Rs. 252,630 thousand had been received from BEL in the previous year, which has been shown under the head 'deposits from holding company' under 'Current Liabilities' in the financial statements. An agreement has already been entered into between the two shareholders - SN Power and Bhilwara Energy Limited and the Company, wherein BEL has agreed that all rights, obligations, rewards and risks of this project will belong to BEL and no liability there against will devolve on the Company.
11. 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.

12. Leases

In case of assets taken on Operating Lease:

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

(Amount in Rs'000)

Particulars	For the year ended March 31, 2009	For the year ended March 31, 2008
Lease payments for the year	3,623	1,156

13. 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):

Particulars	For the year ended on March 31, 2009 (Rs.'000)	For the year ended on March 31, 2008 (Rs.'000)
Current Service Cost	564	338
Interest cost on benefit obligation	280	313
Expected return on plan assets	(160)	(177)
Net actuarial (gain)/ loss recognised in the period	286	(162)
Past service cost	–	–
Net benefit expense	971	312
Actual return on plan assets	162	216

Balance Sheet

Details of Provision for Gratuity:

Particulars	As at March 31, 2009 (Rs.'000)	As at March 31, 2008 (Rs.'000)
Defined benefit obligation	5,133	4,000
Fair value of plan assets	4,130	1,998
	(1,002)	(2,002)
Less: Unrecognised past service cost	–	–
Plan asset / (liability)	(1,002)	(2,002)

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

Particulars	As at March 31, 2009 (Rs.'000)	As at March 31, 2008 (Rs.'000)
Opening defined benefit obligation	4,000	3,907
Interest cost	280	313
Current service cost	564	338
Benefits paid	–	(435)
Actuarial (gains)/ losses on obligation	288	(123)
Closing defined benefit obligation	5,133	4,000

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

Particulars	As at March 31, 2009 (Rs.'000)	As at March 31, 2008 (Rs.'000)
Opening fair value of plan assets	1,998	2,217
Expected return	160	177
Contributions by employer	1971	–
Benefits paid	–	(435)
Actuarial gains / (losses)	2	39
Closing fair value of plan assets	4,130	1,998

The Defined benefit obligation amounting to Rs. 5,133 thousand is funded by assets amounting to Rs. 4,130 thousand and the Company expects to contribute Rs. 460 thousand during the year 2009-10.

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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, 2009 (%)	As at March 31, 2008 (%)
Investments with insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. 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 for the Company's plans are shown below:

Particulars	For the year ended on March 31, 2009 (%)	For the year ended on March 31, 2008 (%)
Discount Rate	7.00	8.00
Expected rate of return on assets	8.00	8.00
Future Salary Increase	4.50	5.50
Withdrawal rate	1 to 3	1 to 3

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

Amounts for the current and previous four years are as follows*:

	2008-09	2007-08
Defined benefit obligation	5,133	4,000
Plan assets	4,130	1,198
Surplus / (deficit)	(1,002)	(2,002)
Experience adjustments on plan liabilities	(260)	-
Experience adjustments on plan assets	2	-

* As the Company has adopted AS -15 (revised) in the year 2007-08, the above disclosures as required under Para 120 (n) have been made prospectively from the date the Company has first adopted the standard.

Defined Contribution Plan	2008-09	2007-08
Contribution to Provident Fund	1,806	1,315
Contribution to Superannuation Fund	1,028	886
	2,834	2,201

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

Particulars	2008-09	2007-08
Foreign Currency Loan	Rs. 66,790,400 (USD 1,280,000 @ closing rate of 1USD=Rs. 52.18)	Rs. 63,840,000 (USD 1,920,000 @ closing rate of 1USD=Rs. 39.90)
Advance for equipment	Rs. 8,495,410 (CHF 187,000 @ closing rate of 1CHF=Rs. 45.43)	Nil

15. 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:

		2008-09	2007-08
(i) Installed capacity (technically estimated)		86 MW	86 MW
(ii) Generation	M.U.	360.050	339.825
(iii) Less:- Auxiliary Consumption and Associated Transmission Loss	M.U.	4.185	3.732
Free Energy to Govt. of H.P.	M.U.	53.380	50.414
Free Energy to HPSEB for wheeling of power	M.U.	12.099	11.427
(iv) Turnover (including impact of UI Charges - (1.26) M.U., (Previous year (.42) MU))	M.U.	289.125	273.827
	Rs'000	1,853,616	1,348,840

b) Imported and indigenous stores and spare parts consumed:

	Percentage of total consumption		Value (Rs.'000)	
	2008-09	2007-08	2008-09	2007-08
Stores & Spares				
Imported	-	-	-	-
Indigenously obtained	100.00	100.00	13,218	6,043
	100.00	100.00	13,218	6,043

c) Expenditure in foreign currency, net of TDS (cash basis)

	2008-09 (Rs in '000s)	2007-08 (Rs in '000s)
Travelling	560	6,033
Professional Services	18,120	1,567
Fee & Subscription	11	-

d) Earnings in foreign currency (Cash basis)

	2008-09 (Rs in '000s)	2007-08 (Rs in '000s)
Others (Sale of Voluntary Emission Rights)	66,528	-

16. Previous year figures were audited by another firm of Chartered Accountants. Previous year's figures have been regrouped where necessary to confirm to this year's classification.

As per our report of even date

For **S. R. Batliboi & Co.**

Chartered Accountants

per **Raj Agrawal**

Partner

Membership No. 82028

Place : Gurgaon

Dated : August 13, 2009

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA

Chairman & Managing Director

ROHINI ROSHANARA SOOD

Director

BHARAT SINGH

Company Secretary

CASH FLOW STATEMENT AS AT MARCH 31, 2009

	(Rs. '000)	
	As at March 31, 2009	As at March 31, 2008
A. Cash flow from operating activities		
Net profit before taxation	1,440,416	878,441
Adjustments for:		
Depreciation	201,292	202,723
Interest expenses	105,222	125,580
Profit on fixed assets sold / discarded (net)	(270)	(1,736)
Provision for continuity linked bonus	306	1,595
Provision for gratuity	(1,000)	2,002
Provision for compensated absences	131	1,278
Unrealised foreign exchange loss/(gain)	17,042	(7,532)
Interest income	(64,888)	(11,546)
Operating profit before working capital changes	1,698,251	1,190,805
Movements in working capital:		
Decrease / (increase) in sundry debtors	7,999	(12,687)
Decrease / (increase) in loan and advances	(21,466)	11,683
(Increase) in inventories	(471)	(395)
(Decrease) / Increase in current liabilities	21,134	(2,341)
Cash generated from operations	1,705,447	1,187,065
Direct taxes paid (including fringe benefits taxes paid)	169,056	51,182
Net cash from operating activities	1,536,391	1,135,883
B. Cash flows used in investing activities		
Purchase of fixed assets (including capital work in progress)	(56,637)	(628,588)
Purchase of investments	(763,056)	-
Share application money paid	(628,000)	(1,488,000)
Loans and advances to subsidiary company	(1,144,608)	(410,907)
Advances for project allotted	-	(252,630)
Proceeds from sale of fixed assets	526	4,948
Interest received	64,876	6,091
Net cash (used in) investing activities	(2,526,899)	(2,769,086)

	As at March 31, 2009	As at March 31, 2008
C. Cash flows from financing activities		
Proceeds from issuance of share capital	1,127,999	1,112,001
Proceeds from short term borrowings	198,261	752,630
Repayment of long -term borrowings	(248,887)	(297,226)
Interest paid	(94,435)	(127,801)
Net cash from financing activities	982,938	1,439,604
Net increase / (decrease) in cash and cash equivalents(A+B+C)	(7,570)	(193,599)
Cash and cash equivalents at the beginning of the year	32,039	225,638
Cash and cash equivalents at the end of the year	24,469	32,039
Components of cash and cash equivalents		
Cash on hand	318	386
With banks – on current accounts	23,815	31,453
– on deposit accounts	200	200
– on margin money account	136	–
	24,469	32,039

Notes:

1. Previous year's: figures have been regrouped wherever necessary to confirm to current year classification.
2. Difference in the figure of cash and bank balance as per Schedule 10 and as per above Rs.1,683 thousand (previous year 1,683 thousand) represents long term investment in fixed deposit with an original maturity of more than three months.

As per our report of even date

For **S. R. Batliboi & Co.**

Chartered Accountants

per **Raj Agrawal**

Partner

Membership No. 82028

Place : Gurgaon

Dated : August 13, 2009

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA

Chairman & Managing Director

ROHINI ROSHANARA SOOD

Director

BHARAT SINGH

Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**1. REGISTRATION DETAILS**

Registration No.

1	9	9	5	9
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 State Code

0	6
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Balance Sheet Date

3	1
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0	3
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2	0	0	9
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Date Month Year

2. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue

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 Rights Issue

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Bonus Issue

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 Private Placement

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3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities

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 Total Assets

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SOURCES OF FUNDS

Paid-up Capital

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 Reserves and Surplus

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Share Application Money

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 Deferred Tax Liability

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Secured Loans

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 Unsecured Loans

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APPLICATION OF FUNDS

Net Fixed Assets (Incl. P.O.P. exps)

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 Investments

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Net Current Assets

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 Misc. Expenditure

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Accumulated Losses

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4. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover

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 Total Expenditure

--	--	--	--	--	--	--	--	--	--

Profit/Loss before Tax

--	--	--	--	--	--	--	--	--	--

 Profit/Loss after tax

--	--	--	--	--	--	--	--	--	--

Earning Per Share (in Rs.)

--	--	--	--	--	--	--	--	--	--

 Dividend Per Share (in Rs.)

--	--	--	--	--	--	--	--	--	--

5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)

Item Code No. (ITC Code)

9	8	0	1	0	0
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Product Description Hydro Electric Energy

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA
Chairman & Managing Director

ROHINI ROSHANARA SOOD
Director

Place : Noida
Dated : August 13, 2009

BHARAT SINGH
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

Name of the subsidiary	AD Hydro Power Limited
1. Financial period ended	March 31, 2009
2. Holding company's interest	93.51% in equity shares
3. Shares held by the holding company in the subsidiary	430,155,640 equity shares of Rs.10 each fully paid up Amounting to Rs.43015.564lacs
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

ROHINI ROSHANARA SOOD
Director

Place : Noida
Dated : August 13, 2009

BHARAT SINGH
Company Secretary

DIRECTORS' REPORT

TO THE MEMBERS

AD HYDRO POWER LIMITED

The Directors of the Company are pleased to present their Sixth Annual Report along with the audited statement of accounts for the financial year ended 31st March, 2009 together with the Auditors' Report thereon.

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, 2009, the following expenditure has been incurred on the project as per the details given below:

(Rs. in Million)

PARTICULARS	AMOUNT
Fixed Assets (Gross)	776.500
Capital Work in Progress	10,570.524
Preoperative Expenses	3232.452
Net Current Assets	(670.815)
Miscellaneous	20.018
TOTAL	13,928.679

PROJECT STATUS AND CONSTRUCTION ACTIVITIES

The project commissioning is at an advanced stage and likely to become operational by March 2010. During construction in 2008, the Project encountered serious geological surprises in the excavation of tunnel and delay in statutory clearances for transmission line, which not only resulted into substantial cost overruns but also delayed the commissioning of the project.

The International Finance Corporation, Washington (IFC) being lead lender in the project, carried out the detailed appraisal of the project as per the changed conditions and accepted an upper ceiling of a project cost of Rs 20,213 Million for the purposes of financing. All other participating lenders in the project also extended their full support to the project, recognizing the ground realities being faced by the company.

The directors are pleased to inform you that the company has taken measures to overcome the encountered geological problems in tunnel. All civil structures like Allain River Barrage, Intermediate Reservoir, Surge Shaft, Power House, Switch Yard Tail Race Tunnel etc and electro-mechanical work like installation of Turbine, Generator, Transformers, other Aux. equipments (except the water conductor system and transmission line) are almost complete.

In the Water Conductor System also, as on date of this Report, 165 mtrs of excavation in case of Allain Tunnel & 1590 mtrs of excavation in case of Duhangan Tunnel is left.

In case of Pressure Shaft 680 mtrs of erection is left. In case of Transmission Line also out of total 580 towers 417 towers have already been erected.

STATUS OF FINANCING

The revised Project Cost Ceiling as approved by The International Finance Corporation, Washington now stands at Rs. 20,213 Million and to be financed as follows:-

<i>(Rs. in Million)</i>		
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	6825
	Total	9,975
Debt –Subordinate	Malana Power Company Ltd	4638
	Total	20,213

As on 31st March, 2009, an amount of Rs. 13,928.679 million has already been incurred on the project with the following means of finance:

<i>(Rs. in Million)</i>		
1	Equity contribution from Malana Power Co. Ltd	4,929.557
2	Equity contribution from IFC, W	298.443
3	Senior Debt from International Finance Corporation	1,150
4	Senior Debt from Local Lenders (IDBI, PNB, Axis Bank, PSB & OBC)	5,990
5	Debt from Holding Company (Malana Power Company Ltd.)	1,560.679
	Total	13,928.679

FUTURE OUTLOOK-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 7 to 8 percent annually, the demand for power has been outstripping supply. The company believes the power demand and supply gap to widen further with the growing economy and continue to remain over the next few years. India continues to experience acute shortages in energy supply (11%) and peak load capacity (12%). 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 6.7% and current per capita consumption is at 704 kWh, as against the world average of 2,596 kWh. 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 10th five year plan and adding just 21,180 MW Capacity as compared to 41,110 MW. Even during current five year plan (11th Plan), there is only 12716.7 MW Capacity addition till March, 2009 as against a target of 27396.4 MW.

National Supply & Demand: Situation

Historical Energy Demand Supply Scenario							
		FY04	FY05	FY06	FY07	FY08	FY09
Energy Demand	MU	559264	591373	631757	697961	737052	774324
Energy Availability	MU	519398	548115	578819	624495	664660	689021
Energy Deficit	MU	39866	43258	52938	73466	72392	85303
Energy Deficit	%	7.1%	7.3%	8.4%	10.6%	9.8%	11.0%
Peak Demand	MW	84574	87906	93255	100715	108886	109809
Peak Availability	MW	75066	77652	81792	86818	90793	96685
Peak Deficit	MW	9508	10254	11463	13897	18093	13124
Peak Deficit	%	11.2%	11.7%	12.3%	13.8%	16.7%	12.0%

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 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 boost to the concept of merchant power market.

Volume of Electricity Traded by Trading Community has increased rapidly from 14,188 GWh in the year 2004-05 to 17,325 GWh in the year 2007-08.

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 7.35/kWh at frequencies of less than 49.22 Hz.

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 up the willingness to pay and the average tariff price traded.

SHARE CAPITAL

During the year, Malana Power Company Ltd. has invested an amount of Rs. 1,391 million in the project to meet the capital requirement and as on 31st March, 2009, it has made a total investment of Rs. 4,930 million as equity in the project.





ENVIRONMENT, HEALTH AND SAFETY

Your Company has adopted and implemented Environmental Management Plan as per the norms of IFC, Washington to address various environmental and social issues. It also includes Public consultation and disclosure plan through mode of local community participation, consultation, and dialogues.

The Company continued to face serious challenges regarding occupational health and safety in relation to the construction work. During 2008, the Project experienced a number of fatalities. The fatalities were linked to transportation accidents and rock fall in tunneling. The Company engaged an international safety expert in 2008 and introduced a number of measures to improve its safety performance in the last quarter of 2008, and first quarter of 2009. The Directors have noted that improvements have taken place, but that the company needs to continue to focus on the implementation of best international practice on HSE to avoid the possibility of further serious injuries or fatalities.

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to ensuring that it conducts its business in accordance with ethical, professional and legal standards.

As part of the company's social responsibility program it established a child crèche in Manali to take care of the children of migrant labor and also for children in the vicinity villages.

As a constructive partner in the communities in which it operates, your company has been proactive towards its social responsibility and has spent on development of infrastructure in the area.

HUMAN RESOURCE DEVELOPMENT

Your Company's Human Resource Development strategy focuses on building the competence, commitment and motivation of employees. The Company recognizes serious scarcity of trained expert personnel in power sector. With the expansion of the power market, there is growing requirement for not just qualified engineers, but also for finance, marketing, commercial, IT and HR personnel.

The Company recognizes human resource as a key component for facilitating organization growth and regularly invests in augmenting its human resources with latest tools, equipments and techniques through focused and structured become an attractive employer in the industry.

The Company is also committed to provide a zero injury workplace to its employees and workers all across its units, 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 continues to empower its employees to achieve business successes. Accordingly suitable changes at Site Management level have also been made.

DIVIDEND & OTHER APPROPRIATION

As the construction work is under progress, without any operation, no dividends are proposed to be declared during the year under operation.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

INTERNAL CONTROL SYSTEMS

Your Company has an adequate internal control procedure commensurate with the nature of its business and size of its operations. Internal Audit is conducted at regular interval. The internal control system in all areas of operations, regularly checked by both external and internal auditor that have access to all records and information. The Company also maintains 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 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 & swiftness of issue resolution through follow ups.

PARTICULARS OF EMPLOYEES

Information of employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, 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 2008-09;
- iii) that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- iv) that the annual accounts have been prepared on going concern basis.

DIRECTORS

Mr. L. N. Jhunjhunwala and Mr. Bidyut Shome retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment there at. During the year, Mr. Einar Stenstadvold resigned on 21st March, 2009 from the directorship and Ms. Rohini Roshanara Sood was appointed as additional director in

place of Mr. Einar Stenstadvold, upto the next Annual General Meeting. The Board recommends the appointment of Ms. Rohini Roshanara Sood on the Board of the Company. The Board of Directors wishes to place on record their appreciation towards the contribution made by Mr. Einar Stenstadvold 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 company's financial results, internal control systems, risk management policies and internal audit reports. The audit committee of the company comprises of three members. All the members were present in all the meetings of the audit committee and the proceedings of the committee were in accordance with the provisions of the Companies Act, 1956.

AUDITORS

The Company has received consent letter from S.R. Batliboi & Co. Chartered Accountants under section 224(1)(b) of the Companies Act, 1956 who, being eligible have shown their willingness for appointment as statutory auditors of the Company. The Board recommends the re-

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

Your Company follows practices of good Corporate Governance with strong belief that corporate governance is a key element in improving efficiency and growth as well as enhancing investor confidence.

The majority of the Board comprises of Non-Executive Directors who impart 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.

APPRECIATIONS AND ACKNOWLEDGEMENTS

The Directors are pleased to place on record their appreciation for the continued support received from the lenders of the company namely IFC, IDBI, PSB, OBC, AXIS Bank, PNB, J & K Bank and United Bank of India. The Directors also acknowledge the assistance and continued support provided by the Ministry of Power, Government of India, Government of Himachal Pradesh, Himachal Pradesh State Electricity Board, Commercial Banks and other Government Departments/bodies/authorities and looks forward to their continued support and cooperation in the coming years as well.

The Board would also like to express great appreciation for the commitment and contribution of its employees at all levels. Last but not least, the Company thanks its shareholders for their unstinted support.

For and on behalf of the Board of Directors

Place: Noida
Date: 13th August, 2009

Ravi Jhunjunwala
Chairman



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

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

(Rs in Million)

PARTICULARS		2008-09	2007-08
I.	Foreign Exchange Outgo		
	Engineering Fee and Consultancy charges	42,321	54,508
	Legal and Professional charges	–	662
	Travelling	382	2,185
	Financial charges	–	395
	Capital and Project Equipments	122,382	115,239
	Total	165,085	172,989

ANNEXURE-II TO THE DIRECTORS REPORT

Information pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2009 are given hereunder:

Name	Designation	Remuneration (Rs.in Million)	Qualification	Age	Date of Commencement of Employment
Mr. O. P. Ajmera	President (Finance) and CFO	3.115	C.A., C.S.	47 yrs.	17-03-1987
Mr. Ashok Joshi	President-Project	5.149	B.E. (Civil)	50 yrs.	24-01-1994
Mr. Sharad Kumar	Assistant Vice President-Civil	3.12	B.E. (Civil)	48 yrs.	26-04-2000

AUDITORS' REPORT

To

The Members of AD Hydro Power Limited

1. We have audited the attached Balance Sheet of AD Hydro Power Limited ('the Company') as at March 31, 2009 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;
 - v. On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 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, 2009;
 - b) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & CO.
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: August 13, 2009

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.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In respect of the material lying with third parties, the management has a process of reconciliation and confirmations from the third parties during the year.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) 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 has taken a 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. 3,292,519 thousand and the year-end balance of loan taken from such party was Rs. 1,560,679 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 loan is not prima facie prejudicial to the interest of the Company.
- (g) As informed to us and as per the terms of the draft Subordination Loan agreement with the lenders shared with us, the loan taken and interest thereon is re-payable after the project commences commercial operations which is yet to be executed. Accordingly, the lenders have not demanded repayment of any such loan and interest thereon during the year and thus, there has been no default on part of the Company.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for sale of scrap. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. Due to nature of its business, the Company is not required to sell any services.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In 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 is yet to commence commercial operations. Accordingly, the provisions of clause 4(viii) of the Companies (Auditor's report) Order, 2003 (as amended) is not applicable to the Company.
- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *except for dues related to income tax and sales tax which have not been regularly deposited with the appropriate authorities in certain cases, though the delays in deposit have not been serious.*
- (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) As the Company is yet to commence commercial operations as on March 31, 2009, the Profit & Loss account has not been prepared. 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 institutions or banks. The Company has no outstanding dues in respect of debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) As informed and as per the terms of the financing plan approved by the lenders of the Company, the Holding Company is required to provide Subordinated Debt to the Company. However, pending the execution of the Subordination Debt agreement between the Company and its holding company, the Company has taken bridge loan from its Holding Company which, on the execution of the said agreement, will be converted into a long term loan. *The Company has used above funds raised on above basis for long-term investment. At the close of the year, the Company has invested an amount of Rs. 1,560,679 thousand for the construction of a commercial hydro power generation project by the Company.*
- (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) The Company did not have any outstanding debentures 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) We have been informed that *the Company has made payments of Rs. 2,439 thousand for acquisition of right to use of certain plots of land. However, later on, the Company realized that these persons were not the actual land owners and it had to make payments to the actual land owners also. The Company has filed suits for the recovery of the amounts paid to the parties who were not actual land owners. Other than this, based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.*

For S. R. BATLIBOI & CO.
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place : Gurgaon
Date : August 13, 2009

BALANCE SHEET AS AT 31st MARCH, 2009

		(Rs. '000)	
	Schedule	As at March 31, 2009	As at March 31, 2008
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	4,600,000	3,836,944
Share application money (pending allotment)		628,000	–
		5,228,000	3,836,944
Loan Funds			
Secured loans	2	7,140,000	5,450,000
Unsecured loans	3	1,560,679	416,070
		8,700,679	5,866,070
TOTAL		13,928,679	9,703,014
APPLICATION OF FUNDS			
Fixed Assets			
Gross block	4	776,500	381,883
Less : Accumulated depreciation		185,722	151,140
Net block		590,778	230,743
Capital work-in-progress including capital advances	5	10,570,524	7,949,503
Project and pre-operative expenses (pending allocation)	6	3,418,174	2,157,934
		14,579,476	10,338,180
Current assets, loans and advances			
Inventories	7	220,024	134,514
Cash and bank balances	8	69,303	48,522
Other current assets	9	158	6,109
Loans and advances	10	36,559	30,660
		326,044	219,805
Less: Current liabilities and provisions			
Current liabilities	11	980,366	858,326
Provisions	12	16,493	16,663
		996,859	874,989
Net Current assets		(670,815)	(655,184)
Miscellaneous expenditure (to the extent not written off or adjusted)	13	20,018	20,018
TOTAL		13,928,679	9,703,014
Notes to accounts	14		

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

As per our report of even date

For **S. R. Batliboi & Co.**

Chartered Accountants

per **Raj Agrawal**

Partner

Membership No. 82028

Place : Gurgaon

Dated : August 13, 2009

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA

Director

ROHINI ROSHANARA SOOD

Director

SANDEEP CHANDNA

Company Secretary

SCHEDULES

SCHEDULE 1 : SHARE CAPITAL

	(Rs. '000)	
	As at March 31, 2009	As at March 31, 2008
Authorised		
700,000,000 (Previous year 700,000,000) equity shares of Rs.10 each	7,000,000	7,000,000
Issued, Subscribed and Paid up		
460,000,000 (Previous year 383,694,360) equity shares of Rs.10 each	4,600,000	3,836,944
430,155,640 (Previous year 353,850,000) equity shares are held by Malana Power Company Limited, the Holding Company along with its nominees.		
	4,600,000	3,836,944

SCHEDULE 2 : SECURED LOANS

	(Rs. '000)	
	As at March 31, 2009	As at March 31, 2008
Rupee term loans		
– From banks	5,290,000	4,300,000
– From institutions	1,150,000	1,150,000
Short term loans		
– From others	700,000	–
	7,140,000	5,450,000

Notes:

1. 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.
2. Rupee term loans from institution is from IFC, Washington, a minority shareholder.
3. Short term loans include amount payable within one year Rs 700,00 thousand (previous year Rs nil).

SCHEDULE 3 : UNSECURED LOANS

	(Rs. '000)	
	As at March 31, 2009	As at March 31, 2008
Short Term loan		
– From holding company	1,560,679	416,070
	1,560,679	416,070

SCHEDULE 4: FIXED ASSETS

(Rs. '000)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening April 1, 2008	Additions	Deduction	As at March 31, 2009	Opening April 1, 2008	For the year	Deletion	As At March 31, 2009	As At March 31, 2009	As At March 31 2008
Buildings	50,684	202,279	–	252,963	3,154	5,029	–	8,183	244,780	47,530
Project equipments	253,994	189,539	–	443,533	126,809	20,036	–	146,845	296,688	127,185
Electrical installation	25,736	116	–	25,852	2,542	1,541	–	4,083	21,769	23,194
Furniture & fixtures	17,633	1,455	–	19,088	5,619	2,326	–	7,945	11,143	12,014
Computers	10,541	379	–	10,920	5,610	2,083	–	7,693	3,227	4,931
Office equipments	6,632	591	–	7,223	1,909	750	–	2,659	4,564	4,723
Vehicles	16,663	564	306	16,921	5,497	2,928	111	8,314	8,607	11,166
Total	381,883	394,923	306	776,500	151,140	34,693	111	185,722	590,778	230,743
Previous Year	236,388	146,514	1,019	381,883	46,470	105,040	370	151,140	230,743	189,918

SCHEDULE 5 : CAPITAL WORK IN PROGRESS

(Rs. '000)

PARTICULARS	As At April 1, 2008	Additions during the year (net)	As At March 31, 2009
Land - freehold (Refer note no. 6(a) & (b) of schedule 14)	300,726	3,019	303,745
Road	1,138,204	156,516	1,294,720
Buildings	190,640	(176,054)*	14,586
Head race tunnel	682,787	893,976	1,576,763
Pressure shaft/ penstock	372,447	139,580	512,027
Upstream/ barrage	766,695	471,639	1,238,334
Power house	862,113	103,967	966,080
Switch Yard- Mechanical	83,719	82,842	166,561
Switch Yard Civil	60,616	32,806	93,422
Engineering fees	330,002	53,464	383,466
Consultancy charges	128,787	29,021	157,808
Construction power	36,988	9,872	46,860
Transmission line			
– Right to use	157,872	81,615	239,487
– Expenditure on forest land (Refer Note no 6 (c) of Schedule 14)	–	270,803	270,803
– Capital advances	27,860	(6,815)	21,045
– Others	1,003,727	317,603	1,321,330
Turbine & Generators	729,561	204,743	934,304
Gates	27,558	49,585	77,143
Valves	1,227	17,558	18,785
Power Cables	46,514	29,448	75,962
Power Transformer	175,280	–	175,280
Equipments Under Installation	3,229	1,558	4,787
Electro & mechanical auxilliary services	5,127	32,990	38,117
EOT Crane	22,185	385	22,570
Other capital expenditure	45,111	–	45,111
Capital stocks	303,054	(4,529)	298,525
– includes stocks lying with third parties Rs.251,027 thousand (Previous year Rs. 255,117thousand)			
Capital advances	447,474	(174,571)	272,903
Total	7,949,503	2,621,021	10,570,524

* additions to buildings are net of buildings capitalised during the year.

SCHEDULE 6: PROJECT AND PRE-OPERATIVE EXPENSES (PENDING ALLOCATION)

(Rs. '000)

PARTICULARS	As At April 1, 2008	Additions during the year (net)	As At March 31, 2009
Personnel Expenses			
Salaries, wages and bonus	260,423	104,614	365,037
Contribution to provident funds	16,408	5,769	22,177
Contribution to superannuation funds	2,513	1,249	3,762
Gratuity expenses	3,024	1,100	4,124
Workmen and staff welfare expenses	21,666	7,474	29,140
	304,034	120,206	424,240
Administrative and other expenses			
Rent	30,046	13,795	43,841
Rates & taxes	236	15	251
Insurance	72,136	23,515	95,651
Repairs and maintenance			
– Plant and machinery	13,129	11,966	25,095
– Civil works	783	1,029	1,812
– Buildings	2,799	446	3,245
– Others	2,353	171	2,524
Travelling expense	55,181	13,096	68,277
Conveyance	16,532	3,025	19,557
Vehicle running & hiring expenses	77,325	34,109	111,434
Communication expenses	11,073	4,945	16,018
Auditor's Remuneration :			
– Audit Fees	1,702	552	2,254
– Other Services	922	922	1,844
– Out of Pocket Expenses	118	96	214
Charity and donations (other than to political parties)	3,576	–	3,576
Director remuneration	3,967	2,678	6,645
Tender expenses	12,389	1,057	13,446
Legal & professional charges	61,969	29,698	91,667
Expenditure on forest land (Refer note no 6 (c) of Schedule 14)	255,726	16,122	271,848
Environment health and safety	1,918	4,770	6,688
Fee & subscription	3,613	956	4,569
Stores consumption	83,321	43,628	126,949
Hiring of equipment	191,093	43,593	234,686
Power and fuel (net of recoveries of 43,467 thousands (previous year Rs 32,715 thousands)	20,705	1,481	22,186
Installation charges	3,612	–	3,612
Security arrangement expense	23,469	20,427	43,896
Social welfare expenses	85,472	39,140	124,612
Miscellaneous expenses (net of recoveries Rs. 4,870 thousand (Previous year Rs. 2,347 thousand)	41,090	19,902	60,992
Fringe benefit tax	11,467	5,200	16,667
Interest on Term Loan	590,218	554,020	1,144,238
Interest to Holding Company	5,163	199,923	205,086

(Rs. '000)

PARTICULARS	As At April 1, 2008	Additions during the year (net)	As At March 31, 2009
Interest on Others	1,985	–	1,985
Financial/bank charges (includes commitment charges reimbursed to holding company Rs. 7,750 thousand (previous year Rs nil))	71,918	36,797	108,715
Depreciation	151,516	34,693	186,209
	1,908,522	1,161,767	3,070,289
Less : Interest earned (Tax deducted at source Rs. 130 thousand, Previous year Rs. 3,266 thousand) (net of provision for income tax Rs. 195 thousand (Previous year Rs. 5,133 thousand))	(54,622)	(2,969)	(57,591)
Less : Scrap sale	–	(18,764)	(18,764)
	2,157,934	1,260,240	3,418,174

SCHEDULE 7: INVENTORIES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Stores and spares (including stocks lying with third parties Rs 116,181 thousand (previous year Rs 55,575 thousands))	220,024	134,514
	220,024	134,514

SCHEDULE 8: CASH AND BANK BALANCES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Cash on hand	2,708	2,586
Balances with scheduled banks:		
On current accounts	64,093	32,441
On deposit accounts	200	2,295
On margin money accounts	2,302	11,200
	69,303	48,522

Included in deposit accounts is :

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

SCHEDULE 9: OTHER CURRENT ASSETS

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Interest accrued on deposits	158	6,109
	158	6,109

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

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Loans to employees	451	1,169
Advances recoverable in cash or in kind or for value to be received	32,052	26,095
Security deposit	3,347	3,345
Advance income tax / tax deducted at source (net of provision for tax of Rs. 17,719 thousand (previous year Rs 17,524 thousand))	709	51
	36,559	30,660

SCHEDULE 11: LIABILITIES

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Sundry creditors *		
(a) Outstanding dues of Micro & Small Enterprises	-	-
(b) Outstanding dues of creditors other than Micro & Small Enterprises	768,100	626,362
Deposits from contractors and others	125,276	182,898
Interest accrued but not due on loans	26,643	22,208
Other liabilities	60,347	26,858
	980,366	858,326

* refer note no. 15 in schedule 14

SCHEDULE 12: PROVISIONS

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Provision for Fringe Benefit Tax (net of advance fringe benefit tax Rs. 15,172 thousand (previous year Rs 11,072 thousand))	1,495	395
Provision for Wealth Tax	40	60
Provision for Gratuity	1,138	2,000
Provision for Leave encashment	3,805	3,107
Provision for Continuity Linked Bonus	10,015	11,101
	16,493	16,663

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

(Rs. '000)

	As at March 31, 2009	As at March 31, 2008
Share issue expenses		
Balance as per last account	20,018	15,820
Add : Incurred during the year	-	4,198
	20,018	20,018

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, 2009.

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 standards 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 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 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) 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.

(d) 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.

(e) Depreciation

- i. On Plant & Machinery and Building, depreciation is provided on straight-line method at the rates based on their estimated useful lives, which corresponds to the rates prescribed in Schedule - XIV 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 based on their estimated useful lives, which corresponds to the rates prescribed in Schedule - XIV to the Companies Act, 1956.
- iii. Depreciation on Project equipments (net of their expected realizable value at the completion of the project) has been provided as per straight line method over the period upto the revised expected date of completion of the project i.e. March 31, 2010.

(f) Leases

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Schedule of Project and pre-operative expenses (pending allocation) on a straight-line basis over the lease term.

(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.

Sale of Scrap

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

(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.

(k) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund and Superannuation Schemes are defined contribution schemes 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 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 at the end of each financial year.

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

(v) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(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 Income Tax Act, 1961 enacted in India and is netted from such income. Fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

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

(n) Cash and Cash equivalents

Cash and cash equivalents 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, 2009, 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 upto the year ended March 31, 2009 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. Necessary details as required under Part II of Schedule VI of the Companies Act, 1956 have been disclosed under Schedule 6 in respect of the said expenditure.
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. As per the Shareholders' Agreement between International Finance Corporation (IFC), Washington and Malana Power Company Limited (the holding company) and revised financial plan of IFC, IFC has agreed to subscribe to 12% of the total share capital of the Company. However, as at the year end, Malana Power Company Limited has infused their share of the agreed capital contribution of 88%, while out of the agreed equity infusion from IFC of Rs 672,000 thousand, contribution of Rs. 374,000 thousand from IFC is pending as on March 31, 2009.
6. (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. 298,070 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. 542,651 thousand paid to Divisional Forest Officer, Kullu on account of use of forest land measuring 111.475 hectares represents amount paid towards loss of environment value, compulsory afforestation, cost of tree felling and Catchment Area Treatment Plan.

7. Related Party Disclosure

(a) Name of related parties

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, Green Ventures Private Limited

(b) Transaction with related parties

(Rs. '000)

Nature of Transaction	Ultimate Holding Company		Holding Company		Key Management Personnel		Fellow Subsidiary	
	2009	2008	2009	2008	2009	2008	2009	2008
Transactions during the year								
Remuneration paid to Mr. R. P. Goel					2,678	1,941		
Consultancy charges paid to Indo Canadian Consultancy Services Limited							29,022	52,795
Reimbursement of expenses incurred by Malana Power Company Limited on behalf of the company			10,061	13,685				
Reimbursement of expenses incurred on behalf of Malana Power Company Limited			3,125	2,939				
Reimbursement of expenses incurred by Indo Canadian Consultancy Services Limited on behalf of the company							2,324	1,027
Reimbursement of expenses incurred on behalf of Indo Canadian Consultancy Services Limited							382	110
Share application money received from Malana Power Company Limited (net)			1,391,056	–				
Shares Capital allotted to Malana Power Company Limited			763,056	1,628,000				
Fixed Assets transferred to Bhilwara Energy Limited	–	525						
Reimbursement of expenses incurred by Bhilwara Energy Limited on behalf of the Company	1,097	652						
Reimbursement of expenses incurred on behalf of Bhilwara Energy Limited	1,199	1,177						
Unsecured Loan taken from Malana Power Company Limited			3,356,741	2,008,625				
Unsecured Loan repaid to Malana Power Company Limited			2,212,132	1,732,555				
Interest Expense on Unsecured loan taken from Malana Power Company Limited			199,923	5,163				
Sale of fixed assets to AD Hydro Power Limited			–	2,030				
Balances outstanding as at the year end								
Balances Receivable :								
Bhilwara Energy Limited	626	525						
Balances Payable:								
Indo Canadian Consultancy Services Limited							3,392	13,195
Unsecured Loan taken from Malana Power Company Limited			1,560,679	416,070				
Interest amount on Unsecured Loan from Malana Power Company Limited			199,923	5,163				
Guarantees given by the Malana Power Company Limited on behalf of the Company			450,000	450,000				

Note : In the opinion of the management, the transactions reported herein are on arms length basis.

8. Contingent Liabilities (Not provided for)

(Rs.'000)

Particulars	2009	2008
Bank guarantee outstanding	2,000	2,000
Claims against the Company not acknowledged as debts*	324,764	–

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

9. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) Rs. 603,416 thousand (Previous Year Rs. 2,665,897 thousand).

10. 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 March 31, 2009 to March 31, 2010, the depreciation of the project equipments is provided over the revised expected date of completion. Accordingly, the depreciation charge on project equipments in the current year is lower by Rs. 291,385 thousand.
11. On account of various reasons beyond the control of the Company (like significant geological problems experienced in tunneling work and others), the project has undergone significant cost over-runs and the total estimated cost of the project has gone up from Rs. 8,956,000 thousand to Rs. 20,212,820 thousand. In view of the management, such increase in estimated project cost has not affected the going concern assumption of the Company. Further, based on financial projections, the management believes that profits are expected to accrue once the project commences commercial operation. Accordingly, no adjustment is required to the carrying amount of fixed assets on account of impairment.

12. Unhedged foreign currency exposure at the balance sheet date

Particulars	2008-09	2007-08
Creditor for engineering fees	Rs. 16,712,000 (CAD 400,000 @ closing rate of 1CAD = Rs. 41.78)	Nil
	Rs. 1,240,380 (EURO 18,000 @ closing rate of 1EURO = Rs. 68.91)	Nil

13. Statutory Supplementary Information

(Rs.'000)

	2009	2008
(a) Directors Remuneration		
Salaries, wages and bonus	1,602	1,183
Allowances	1,076	758
	2,678	1,941

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 within the limits prescribed in Schedule XIII of the Companies Act, 1956.

(b) Expenditure in foreign currency (net of TDS)

(Rs.'000)

	2009	2008
Engineering Fees and Consultancy charge	42,321	54,508
Legal and Professional charges	–	662
Travelling	382	2,185
Financial charges	–	395
	42,703	57,750

(c) Value of imports calculated on CIF basis		(Rs.'000)	
	2009	2008	
Capital Goods	–	36,605	
Project Equipments	122,382	78,634	
	122,382	115,239	

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

a) Imported and indigenous stores and spare parts consumed:

Stores & Spares	Percentage of total consumption		Value (Rs.'000)	
	2009	2008	2009	2008
Imported	19.01	24.84	3,552	5,093
Indigenously obtained	80.99	75.16	15,131	15,406
	100.00	100.00	18,683	20,499

15. 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.

16. Gratuity -Defined benefit plan (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.

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:

Schedule of Project and pre-operative expenses (pending allotment)

Net employee benefits expense (recognised in Employee Cost):

Particulars	For the year ended on March 31, 2009 (Rs.'000)	For the year ended on March 31, 2008 (Rs.'000)
Current Service Cost	1,091	934
Interest cost on benefit obligation	231	109
Expected return on plan assets	(104)	(23)
Net actuarial (gain)/ loss recognised in the period	(119)	912
Past service cost	–	–
Net benefit expense	1,099	1,932
Actual return on plan assets	133	103

Balance Sheet

Details of Provision for Gratuity:

Particulars	As at March 31, 2009 (Rs.'000)	As at March 31, 2008 (Rs.'000)
Defined benefit obligation	4,530	3,298
Fair value of plan assets	3,393	1,298
	(1,138)	(2,000)
Less: Unrecognised past service cost		–
Plan asset / (liability)	(1,138)	(2,000)

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

Particulars	As at March 31, 2009 (Rs.'000)	As at March 31, 2008 (Rs.'000)
Opening defined benefit obligation	3,298	1,359
Interest cost	231	109
Current service cost	1,091	934
Benefits paid	–	(96)
Actuarial (gains)/ losses on obligation	90	992
Closing defined benefit obligation	4,530	3,298

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

Particulars	As at March 31, 2009 (Rs.'000)	As at March 31, 2008 (Rs.'000)
Opening fair value of plan assets	1,298	291
Expected return	104	23
Contributions by employer	1,962	1,001
Benefits paid	–	(96)
Actuarial gains / (losses)	29	79
Closing fair value of plan assets	3,393	1,298

The Defined benefit obligation amounting to Rs. 4,530 thousand is funded by assets amounting to Rs. 3,393 thousand and the Company expects to contribute Rs 1,442 thousand during the year 2009-10.

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, 2009 (%)	As at March 31, 2008 (%)
Investments with insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. 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 liability for the Company's plans are shown below:

Particulars	For the year ended on March 31, 2009 (%)	For the year ended on March 31, 2008 (%)
Discount Rate	7.00	8.00
Expected rate of return on assets	8.00	8.00
Future Salary Increase	5.50	5.50
Withdrawal rate	1 to 3	1 to 3

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

Amounts for the current and previous four years are as follows*:

	2008-09	2007-08
Defined benefit obligation	4,530	3,298
Plan assets	3,393	1,298
Surplus / (deficit)	(1,138)	(2,000)
Experience adjustments on plan liabilities	112	–
Experience adjustments on plan assets	29	–

* As the Company has adopted AS -15 (revised) in the year 2007-08, the above disclosures as required under Para 120 (n) have been made prospectively from the date the Company has first adopted the standard.

Defined Contribution Plan		
	2008-09	2007-08
Contribution to Provident Fund	5,768	4,646
Contribution to Superannuation Fund	1,249	1,072
	7,017	5,718

17. Leases

In case of assets taken on Operating Lease:

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

Particulars	(Rs. '000)	
	For the year ended March 31, 2009	For the year ended March 31, 2008
Lease payments for the year	86,957	45,604

18. In accordance with Accounting Standard 22 'Accounting for Taxes on Income', issued by the Institute of Chartered Accountants of India, in view of the fact that the Company is under the stage of setting up the hydro power project, deferred tax assets have not been accounted for in the books since it is not virtually certain whether the Company will be able to take advantage of such assets.

19. Segment Information

The Company's activities during the year involved setting up of the Hydro power project (Refer Note 1). Considering the nature of Company's business and operations, there are no separate reportable segments (business and/ or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting' issued by the Institute of Chartered Accountants of India (ICAI) and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.

20. Previous year figures were audited by another firm of Chartered Accountants. Previous year's figures have been regrouped where necessary to confirm to this year's classification.

As per our report of even date

For **S. R. Batliboi & Co.**

Chartered Accountants

per **Raj Agrawal**

Partner

Membership No. 82028

Place : Gurgaon

Dated : August 13, 2009

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA

Director

ROHINI ROSHANARA SOOD

Director

SANDEEP CHANDNA

Company Secretary

CASH FLOW STATEMENT AS AT MARCH 31, 2009

	(Rs. '000)	
	As at March 31, 2009	As at March 31, 2008
A. Cash flows from investing activities		
Acquisition of fixed assets	(3,464,426)	(4,181,582)
Proceeds from sale of fixed assets	–	721
Fixed deposit redeemed	10,993	881,518
Interest received	9,050	17,704
Net cash (used in) investing activities	(3,444,383)	(3,281,639)
B. Cash flows from financing activities		
Proceeds from issuance of share capital	763,056	1,576,100
Share application money received	628,000	(4,198)
Proceeds from long term borrowings	2,834,609	2,014,244
Interest paid	(749,508)	(421,079)
Net cash from financing activities	3,476,157	3,165,067
Net increase / (decrease) in cash and cash equivalents (A+B)	31,774	(116,572)
Cash and cash equivalents at the beginning of the year	35,027	151,599
Cash and cash equivalents at the end of the year	66,801	35,027
Components of cash and cash equivalents		
Cash on hand	2,708	2,586
With scheduled banks - on current accounts	64,093	32,441
	66,801	35,027

As per our report of even date

For **S. R. Batliboi & Co.**

Chartered Accountants

per **Raj Agrawal**

Partner

Membership No. 82028

Place : Gurgaon

Dated : August 13, 2009

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA

Director

ROHINI ROSHANARA SOOD

Director

SANDEEP CHANDNA

Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS

Registration No. State Code
 Balance Sheet Date
 Date Month Year

2. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue Rights Issue
 Bonus Issue Private Placement

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities Total Assets

SOURCES OF FUNDS

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

APPLICATION OF FUNDS

Net Fixed Assets (Incl. P.O.P. exps) Investments
 Net Current Assets Misc. Expenditure
 Accumulated Losses

4. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)

Turnover Total Expenditure
 Profit/Loss before Tax Profit/Loss after tax
 Earning Per Share (in Rs.) Dividend Per Share (in Rs.)

5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES 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

ROHINI ROSHANARA SOOD
Director

SANDEEP CHANDNA
Company Secretary

Place : Noida
Dated : August 13, 2009

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

Fibre Dyeing, Spinning Dyed & Grey Yarn
 Spinning PV Blended, Cotton & Open End Grey Yarn
 Melange, Cotton Dyed Yarn & Yarn Dyeing
 Spinning PV Blended Grey Yarn
 Fibre Dyeing & Spinning Dyed Yarn
 Weaving & PV Fabric Processing & Finishing
 Cotton Ring & Open End Spinning, Denim Fabric
 Weaving & Rope Dyeing, Processing & Finishing
 Thermal Power

Cheslind Textiles Ltd.

9. Bagalur
10. Pondicherry

Spinning Cotton, Compact, Gassed & Mercerized Yarn & Knitting
 Spinning Cotton, Compact, Gassed & Mercerized Yarn & Knitting

Maral Overseas Ltd.

11. Maral Sarovar
12. Maral Sarovar
13. Noida
14. Noida

Cotton Spinning, Knitting, Dyeing & Finishing, Knitted Garments
 Captive Thermal Power
 Knitted Garments
 Knitted Garments

BSL Ltd.

15. Bhilwara
16. Jaisalmer

PV & Worsted Spinning, PV & Worsted Weaving & Silk Fabric
 Wind Power Generation

Bhilwara Spinners Ltd.

17. Bhilwara

Spinning PV Blended Grey Yarn

BMD Pvt. Ltd.

18. LNJ Nagar, Mordi

Automotive Furnishing Fabric, Flame Retardant Fabric, Furnishing Fabric

Bhilwara Processors Ltd.

19. Bhilwara

Dyeing, Processing & Finishing of Fabric

Bhilwara Technical Textiles Ltd.

20. LNJ Nagar, Mordi

Technical Textiles

GRAPHITE

HEG Ltd.

21. Mandideep
22. Mandideep
23. Tawa

Graphite Electrodes
 Captive Thermal Power
 Captive Hydro Electric Power

POWER

Bhilwara Energy Ltd.

24. Pathankot
25. Tawang

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

Malana Power Company Ltd.

26. Malana (Kullu)

Hydro Electric Power Generation

AD Hydro Power Ltd.

27. Allain-Duhangan (Manali)

Hydro Electric Power Generation

Indo Canadian Consultancy Services Ltd.

28. Noida

Power Engineering Services

INFORMATION TECHNOLOGY

Bhilwara Scribe Pvt. Ltd.

29. Bhopal
30. Bengaluru

Medical Transcription Services
 Medical Transcription Services

Bhilwara Infotech Ltd.

31. Bengaluru

IT Services

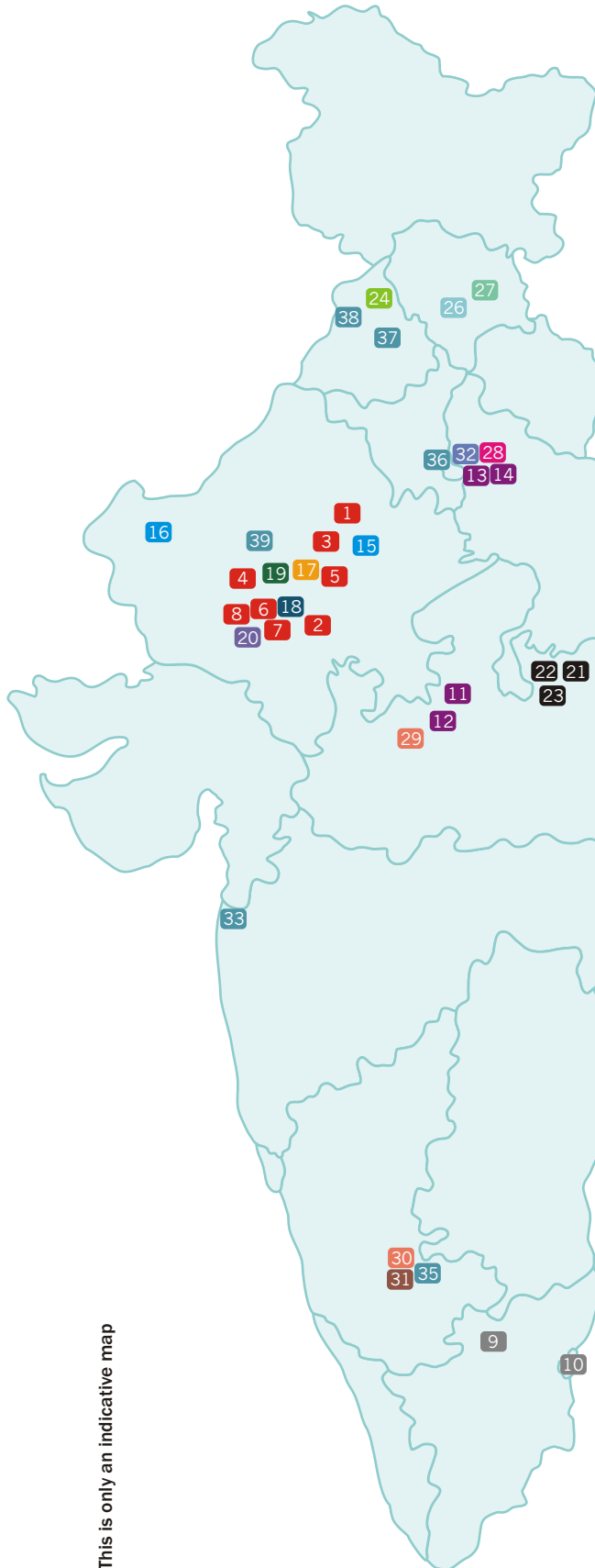
OFFICES

Corporate Office

32. Noida (NCR-Delhi)

Regional / Marketing

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



This is only an indicative map



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