



Passion to excel

Annual Report 2010-11





The LNJ Bhilwara Group

*Established in 1961 *A USD 1 billion conglomerate *Among leading business groups in India *Diversified interests in textiles, graphite electrodes, power generation, power engineering, ITeS and consultancy services *Promoted by Shri L. N. Jhunjhunwala.

50 Glorious Years

A journey that began in 1961 with a single textile unit in the lesser known town of Bhilwara, Rajasthan has, over five decades, created one of India’s leading business conglomerates, firmly etching itself in the global space.

Pioneering pedigree:

- Possesses India’s second-largest spindle capacity
- Largest Indian producer and exporter of polyester/viscose blended yarn
- Provides largest range in grey, dyed and mélange yarns
- Possesses the world’s largest single-location plant for graphite electrodes with an installed capacity of 66,000 TPA
- Commissioned India’s first hydro-power project co-financed by the International Finance Corporation, Washington
- Emerged as the first merchant power producer in India’s hydro sector

Awards and recognition:

- Winner of the SRTEPC (The Synthetic and Rayon Textiles Export Promotion Council) award for exports for the last 17 years – a record in the Indian textiles space and Rajiv Gandhi National Quality Award (RSWM Ltd.)
- Recipient of the CAPEXIL award for 19 consecutive years and the prestigious Rajiv Gandhi National Quality award (HEG Ltd.)
- Awarded the Greentech Environment Excellence Award (Malana Power Company Ltd)

Group Statistics

Number of Companies	No. of Manufacturing Facilities	Human Capital	Revenue	Exports	EBIDTA	Profit After Tax
			₹	₹	₹	₹
14	24	25,000	4,739 crore	2,252 crore	900 crore	238 crore
March 31, 2011	March 31, 2011	March 31, 2011	2010-11	2010-11	2010-11	2010-11

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CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN & MANAGING DIRECTOR

Mr. Ravi Jhunjhunwala

DIRECTORS

Mr. L. N. Jhunjhunwala

Mr. Knut Reed

Dr. Kamal Gupta

Mr. R. P. Goel

Mr. Bidyut Shome

KEY EXECUTIVES

Mr. O. P. Ajmera, President & Chief Executive Officer

Mr. J. K. Beri, Associate Vice President (O&M)

COMPANY SECRETARY

Mr. Bharat Singh

STATUTORY AUDITORS

M/s. S. R. Batliboi & Co., Gurgaon

INTERNAL AUDITORS

M/s. Ashim & Associates, New Delhi

TECHNICAL CONSULTANTS

M/s. RSW Inc., Canada

M/s. Indo Canadian Consultancy Services Ltd., Noida

BANKERS / FINANCIAL INSTITUTIONS

Punjab & Sind Bank

IDBI Bank Limited

ING Vysya Bank Limited

State Bank of Travancore

Yes Bank Limited

Axis Bank Limited

ICICI Bank Ltd.

State Bank of India

Punjab National Bank

CORPORATE OFFICE

Bhilwara Towers

A-12, Sector - 1

Noida - 201 301 (NCR-Delhi)

Phone : 0120 - 4390000 (EPABX)

Fax : 0120 - 4277841

Website : www.malanamodelhep.com

REGISTERED OFFICE & WORKS

Village Chowki, P.O. Jari

Distt. Kullu (H.P.)

Phone : 01902-276074 - 78

Fax : 01902 - 276078

E-mail - mpcljari@sancharnet.in

LIAISON OFFICE

Bhilwara Bhawan

40-41, Community Centre

New Friends Colony

New Delhi - 110 025

Phone : 011-26822997

CHAIRMAN'S SPEECH



Dear Stakeholder,

The global economy has been observing weakening in global activity, which is becoming more uneven. The economic recovery of 2010 appears to have come close to a halt in the major industrialized economies, with falling household and business confidence affecting both world trade and employment, while the risk of hitting patches of negative growth going forward has gone up. Against a backdrop of unresolved structural fragilities, a barrage of shocks, which includes the devastating Japanese earthquake and tsunami, political unrest in some oil-producing countries, and the major financial turbulence in the euro area, has hit the international economy.

In such a scenario, the Indian economy has been performing well by recording 8.6 percent GDP growth in the year 2010 to March 2011, but the impact of the trends in world economy has started affecting the growth rate. With fewer options available to boost growth, both business and consumer confidence are moving downward. Falling growth and taxes leaves much lesser room for expenditure to boost the economy and spearhead much needed infrastructure investment.

The Indian power sector is also observing turbulence. The fossil fuels (coal and gas) based thermal power generation, which has been dominating India's power generation capacities with almost 65% share, is staring at shortages in fuel supplies. This has resulted in power stations operating at sub-optimal fuel stocks and considerably low PLFs and newly commissioned power stations finding difficulties for debt servicing. The rising international prices of fossil fuels have also impacted meeting of fuel needs of thermal power projects through imports.

The distribution utilities are saddled up with phenomenal losses on their balance sheets because of losses during transmission and distribution; billing inefficiencies, and revisions in consumer tariffs not in commensuration with input costs. The financial institutions are also showing less inclination to provide funding. With improved monsoons and less-than-expected demand, the distribution utilities have been resorting to load shedding instead of procuring substantial power from short term market.

This peculiar situation has reduced the attractiveness of the Indian power sector inspite of vast opportunities arising because of overall growth and insufficient plans on the ground for fulfillment of the power requirements. But such situation is likely to remain prevalent in the short term. Going forward, it

has been forecasted that power shortage situation will continue and the energy and peaking shortages will likely to hover around 10.3% and 12.9% respectively. In such a situation, to secure its energy needs, India will have to revisit its energy sector strategy with considerable focus on exploitation of renewable energy potential of about 150 GW.

During the year under consideration, your company has achieved a turnover of INR 1431 million as against INR 1651 million in the previous year. The Profit After Tax is Rs.433.214 Millions.

As reported earlier, the Allain side of the project was completed successfully and had started generating power on 17th July, 2010. The Duhangan Tunnel was day lighted on 21st of December, 2010. The work on the completion of the Duhangan side of the project is progressing at a fast pace despite the challenges being thrown by the nature. The Duhangan side is likely to be commissioned by 31st March, 2012.

I am also pleased to inform you that for 200 MW Bara Bhangal HEP in Himachal Pradesh, the DPR is under review with CEA.

On behalf of the Board of Directors, I would like to express our sincere gratitude to the Ministry of Power and Ministry of Environment and Forests, Government of India, Central Electricity Authority, Government of Himachal Pradesh, other government agencies, PTC India Limited, lenders, commercial banks, financial institutions, investors, joint venture partners for their unending support. I would also take this opportunity to thank our employees and business associates, who despite all adverse circumstances have been the pillar of strength for the Company.

With Best Regards

Ravi Jhunjhunwala
Chairman

DIRECTORS' REPORT

TO THE MEMBERS

MALANA POWER COMPANY LIMITED

The Directors of the Company are pleased to present their Thirteenth Annual Report on the business and operations of the Company and Audited Statement of accounts for the year ended 31st March, 2011 together with the Auditors' Report.

1. FINANCIAL PERFORMANCE (Rs. in million)

Particulars	For the Year ended 31.03.2011	For the Year ended 31.03.2010
TOTAL TURNOVER	1,431.151	1,619.439
Less : Discount on prompt payments / Unscheduled interchange charges	39.555	52.714
Net Sales	1,391.596	1,566.725
Other Income	257.305	446.551
Total Income	1,648.901	2,013.275
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX	1,039.053	1,792.473
Interest	298.372	426.871
PROFIT BEFORE DEPRECIATION AND TAX	740.681	1,365.602
Depreciation	198.658	199.646
Profit Before Tax and Prior Period items	542.023	1,165.956
Prior Period Expenses (Travelling Expenses)	1.722	
Prior Period Income (Surrender Value of Keyman Insurance Policy)		28.528
PROFIT BEFORE TAX	540.301	1194.484
Provision for Tax		
- Current Tax	107.682	204.140
- Deferred Tax (Charge/Credit)	(.595)	1.133
NET PROFIT AFTER DEPRECIATION AND TAX (PADIT)	433.214	989.211
Balance brought forward from previous year	3,918.817	2,924.050
AMOUNT AVAILABLE FOR APPROPRIATION	4,352.031	3,913.261
APPROPRIATION		
Transfer from debenture redemption reserves	5.556	5.556
Total	5.556	5.556
Surplus carried to Balance Sheet	4,357.587	3,918.817
Basic and diluted Earning Per Share (EPS), (In Rs.)	2.94	6.71

Your Company's turnover for this financial year stood at Rs.1,431.151 million. The Profit after Tax is Rs. 433.214 million and cash profit from business is Rs. 631.872 million. The Company has delivered 7,52,469 units of VER's during the year, which has earned Rs. 67.444 million.

2. OPERATIONAL PERFORMANCE

During the period under review, the plant availability was 94.03 per cent as compared to 99.94 per cent during the FY2009-10. The plant availability was lower as a planned shut-down for 20 days was taken during February 2011 for the replacement of penstock protection valve and associated systems. Without the planned shutdown, the plant availability for the period was 99.51 per cent. As per the available hydrology data, the generation during the period stood at 333.864 million units as compared to 305.790 million units in the previous financial year. This increased generation was due to better hydrology during Sept. 2010 to Nov, 2010, which is the best achieved in the history of the plant.

The operation data for the year is as given below:

S. No	Particulars	(in million units)	
		2009-10	2010-11
1.	Total Generation	305.790	333.864
2.	Less: Auxiliary Transmission Loss	3.167	5.451
3.	Less: Royalty/Wheeling to Govt. HPSEB	55.682	60.633
4.	Less: Impact of Unscheduled Interchange Energy	2.765	6.308
5.	Total Units sold	244.176	261.472

3. SUBSIDIARY COMPANY

The AD Hydro Power Ltd, a subsidiary of your company, engaged in development and operation of 192 MW hydro electric project in the state of Himachal Pradesh. The Allain side of the project was completed successfully and has started generating power on 17th July, 2010. The Duhangan Tunnel was day light on 21st of December, 2010. The work on completion of the Duhangan side of the project is progressing at a fast pace despite the challenges being posed by the nature. The Duhangan side is likely to commissioned by 31st March, 2012.

The Annual Report for the financial year 2010- 11 and Accounts for the year ended on 31st March, 2011 as required under Section 212 of the Companies Act, 1956 of the said subsidiary company, is attached.

4. THE FUTURE OUTLOOK

In the year under consideration, there was a revival of good monsoon after two successive years of deficient/scanty rain fall, which resulted in increased availability of

water for power generation. This, coupled with addition of hydropower generation of 690MW during the FY, resulted in the energy generation for the FY2010-11 for the country from the hydropower sector increasing by more than 7% to 114,295.66 million units from 106,655.87 million units in the previous year.

But at the same time, the good monsoons also resulted in lower demand for power. In addition to the improved monsoons, there was less-than-expected demand from distribution utilities. In spite of the energy shortages, the distribution utilities had less interest in short term procurement of power and had resorted to load shedding on account of an estimated accumulated losses of around Rs.70,000 crores till date. (Source: CEA)

The unit rates of energy sales fell drastically from April of FY 2010 onwards on the power exchanges as well as among the traders, to reach trough levels in the month of November/December 2010. Subsequently the rates have started picking up, though they are still far from the peaks seen in the last few years.

In spite of the downward pressure on the rates, the volumes in the power trading market have continued to witness strong growth trends. The trading volumes have increased by 27 per cent over the previous year with the traded power accounting for an average 5 per cent of the total power generation. The growth in volumes has been driven by the increased participation of open access industrial power consumers at the exchanges. The bilateral trading has shown negligible growth in FY2010-11 as compared to previous year. Notably, volumes of unscheduled interchange (UI) have dropped indicating this becoming a less preferred avenue for short-term transactions.

For merchant power plants, the tariffs typically are a function set by supply and demand in the market. With the shortfall in supply forecast likely to continue in the foreseeable future because of capacity additions not matching with the growth in demand; shortage in availability of fossil fuels to existing and upcoming thermal power plants, the tariffs are likely to see an upward trend. The distribution utilities are slowly

showing renewed interest in the power trading market backed by support from the governments. All the aforesaid factors show that the hydro power sector is likely to see an upward momentum in the foreseeable future and tariffs are likely to remain buoyant at sufficiently high levels.

Thus the outlook for the next financial year is likely to be cautiously optimistic.

5. DIVIDEND

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

6. REDEMPTION OF DEBENTURES

During the financial year 2010-2011, debentures amounting to Rs.22.2 million have been redeemed.

7. PUBLIC DEPOSITS

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

8. 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.

9. 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.

10. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

10.1 INTERNAL CONTROL SYSTEMS

The Company has systems in place for internal controls to ensure protection of assets, proper financial and operating functions and compliance with the policies, procedure, applicable Acts and Rules. The Company's Internal Controls are supplemented by Internal Audit covering all financial and operating functions.

10.2 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. The 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. Periodically internal audit reports are submitted along with the Management's response to the Audit Committee. The Audit Committee monitors performance of Internal Audit on a periodic basis through review of the internal audit plans, audit findings & swiftness of issue resolution through follow ups.

11. DIRECTORS'

Mr. Knut Reed was appointed as an additional director of the Company with effect from 24th November, 2010 until the conclusion of the next annual general meeting. The Board recommends the appointment of Mr. Knut Reed on the Board of the Company. In accordance with the provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Mr. R. P. Goel and Dr. Kamal Gupta, Directors of the Company, are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment at the ensuing Annual General Meeting. The aforesaid reappointment/appointments are subject to the approval of the Members and the necessary resolutions have been incorporated in the notice of the Annual General Meeting.

During the year, Mr. Oistein Andresen and Ms. Rohini Roshanara Sood resigned from the Board of Directors of the Company. The Board of Directors wishes to place on record their heartfelt appreciation towards the contribution made by Mr. Oistein Andresen and Ms. Rohini Roshanara Sood during their tenure as Directors of the Company.

12. AUDIT COMMITTEE

During the year, the Audit Committee met three times to review Company's Financial results, Internal Control Systems, Risk Management Policies and Internal Audit Reports.

During the year, the Audit Committee was reconstituted. As on date, the Members of the Audit Committee are: Mr. Ravi Jhunjhunwala, Dr. Kamal Gupta and Mr. Knut Reed. The proceedings of the Committee were in accordance with the provisions of the Companies Act, 1956.

13. 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 judgments and estimates have been made 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 2010-2011.
- iii) that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) That the annual accounts have been prepared on a going concern basis.

14. AUDITORS

M/s S.R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company, will retire from their office at the ensuing Annual General Meeting. They are, however, eligible for re-appointment. The Company has received consent letter from S.R. Batliboi & Co., Chartered Accountants, under section 224(1B) of the Companies Act, 1956, for re-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 Auditors' Report read alongwith Notes to the Accounts is self-explanatory and require no further comments from the Board.

15. HUMAN RESOURCE DEVELOPMENT

The employees are vital and most valuable assets. A favorable work environment exists in the organization that encourages innovation and meritocracy. A scalable

recruitment and human resources management process has been set up, which enables us to attract and retain high-caliber employees. The functioning and activities were further aligned to Company's business objectives. The ongoing thrust on rationalization of manpower with focus on proper utilization continues. The Human Resources Development activities focused on multi-skill training, performance improvement, learning from each other training module and basic engineering skills. Providing opportunity for open interaction, communication and feedback have been highlights of Human Resources Development at the plant. The Company provided training on Job-Tech Version 6 for Computer Maintenance Management System (CMMS) to its key O&M Staff.

A series of Art of Living classes were conducted at Company's premises for improving the quality of life of the employees. The Company continues to empower its employees to achieve business successes.

16. ENVIRONMENT, HEALTH & SAFETY

The Company had planted 85,000 fast growing trees and 900 fruit trees around the Project Area. It is also planning to sow 20,000 saplings of Deodar trees in next two years. The Company has also planted local shrub for rehabilitation of dumping site. The Company also distributed plant saplings to local villagers for plantation. The Company celebrated 22nd April as World Earth Day by having plantation in local areas. The disposal of hazardous waste has been done as per approved standard/Norms of Pollution Control Board. The Company has provided assistance in preparation and fixation of environmental awareness boards from Nehru Kund to Rohtang Pass on request from Pollution Control Board-Badah, Kullu.

The Company maintains a medical dispensary at Jari with a 24 hour ambulance. The employees are adequately covered under various insurance policies against risk of health and life disasters as per the statutes of the factory's act. Annual health check-ups are carried out for all employees at the dispensary.

The Company is also committed to provide a zero injury workplace to its employees and workers all across its unit. Security of employees is one of the prime concerns of the Management. Consistent efforts were made by the Company to improve safety standards in the Company by taking measures like intensive safety drives in work area and conducting safety audit, workshop & first aid training, etc. The safety audits were conducted in hazardous departments in plant. In addition, specific workshops on safety were organized.

17. CORPORATE SOCIAL RESPONSIBILITY

We believe that, wherever we operate, our activities should generate economic benefits and opportunities for an enhanced quality of life for all our stakeholders and the society at large.

As a constructive partner in the communities in which it operates, your Company has been taking concrete action to realize its social responsibility and accordingly has been spending on the infrastructure development including construction, widening and strengthening of roads; construction of bridges; construction and



maintenance of Village Bhojanalya and local school. Your Company also contributes to women empowerment, community development and healthcare.

Various events like : Republic Day, Independence Day, New Year, Vishwakarma Jayanti, Saraswati Puja, Ganesh Chaturthi, Dussehra, Diwali, Janmashtami, Christmas, Annual Day, Lohari, etc. are celebrated in the campus.

Your Company has taken initiatives like : participating in Pulse Polio Programme organized by Rashtriya Gramin Swasthya Mission, etc. To make our efforts sustainable, the Company has been providing teachers to the local Govt. school,

contributing for organization of local fair/ festival like: Kashadha and Jari Mela, Kullu Dussehra Festival, Shauani Mela, Chowki Mehinna Mela; providing appliances to handicapped persons for their day-to-day needs; conducting blood donation camps and Pulse Polio Program and; providing cable facilities for residents of Chowki Village.

18. CORPORATE GOVERNANCE

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

The majority of the Board comprises of Non-Executive Directors' who play a critical role in imparting balance to the Board processes, by bringing an independent judgment to decide on issues of strategy, performance, resources, standards of Company's conduct, etc. The Audit Committee of the Board 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, ethical and moral framework under which business decisions are taken.

19. ACKNOWLEDGEMENT

Your Directors' acknowledge the assistance and continued support provided by the Ministry of Power, Government of Himachal Pradesh, other government agencies, lenders, commercial banks, financial institutions, PTC India Limited and our valued customers & look forward to their continued support and cooperation in the coming years as well. Your Directors' also like to express great appreciation for the commitment and contribution of its employees at all levels. Last but not the least, the Company thanks its shareholders for their unstinted support.

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

**Ravi Jhunjunwala
Chairman and Managing Director**

Place: Noida
Date: 7th June, 2011

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 -

- A water pipeline has been laid along the road to carry the water leaking through Adit #2, up to Water Treatment plant. This water after the treatment is used as drinking water in the Malana colony, resulting in saving of electricity consumption to the tune of Rs.1.06 Lac per annum.
- An additional load of 100KW i.e. from 200kW to 300kW for Doonkhra Colony was sanctioned from HPSEB. This arrangement has resulted in a net saving of to the tune of Rs.3.11 Lacs p.a. on account of running of D.G sets.

2. TECHNOLOGY ABSORPTION -

The Company implemented job-tech version 6 for Computer Maintenance Management System (CMMS) at Malana with the support of SNP team.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

	(in ₹ million)	
	2010-11	2009-10
I Foreign Exchange Outgo		
Repair and Maintenance	-	16.281
Traveling & Conveyance	1.883	2.066
Legal and Professional Expenses	2.569	1.570
Fees and Subscription	2.766	0.153
Others	-	0.001
Total	7.218	20.071
II Foreign Exchange Earnings		
Others (Sale of Voluntary Emission Rights)	67.444	75.982
Total	67.444	75.982

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 2011 are given hereunder:

I. Persons employed for the full year

Name	Designation	Remuneration (Rs. in Millions)	Qualification	Experi- ence	Age	Date of Commencement of Employment
Mr. Ravi Jhunjhunwala	Chairman & MD	20.099	B.Com (Hons) MBA.	30	56	1.11.2001
Mr. M.M. Madan	CEO	6.719	B Tech. Civil, MBA	32	57	11.9.2008

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, 2011 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 in paragraph 3 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 such directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 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, 2011;
 - 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.

Firm registration number: 301003E
Chartered Accountants

per Raj Agrawal

Partner
Membership No.: 82028

Place: Gurgaon
Date: June 7, 2011

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 disposal of a substantial part 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 material lying with third parties, the management has a process of confirmations and reconciliations with 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) 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 ₹ 5,364,212 thousand and the year-end balance of loan granted to such company was ₹ 4,370,198 thousand (excluding interest accrued on the loan amounting to ₹ 746,113 thousand).
- (b) The company covered in the register maintained under Section 301 of the Companies Act, 1956 has requested the Company to waive off the interest from September 17, 2010 to March 31, 2011 and henceforth not to charge the interest till the time said company's operations become profitable, which has been approved by the Board of Directors of the Company vide their meeting dated March 29, 2011. Read with above, 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 Subordination Loan agreement with the lenders, the loan granted and interest thereon is re-payable only once all obligations to outside lenders have been paid and discharged in full. Accordingly, the Company has not demanded repayment of any such loan and interest thereon during the year and there has been no default on the part of the company to whom the money has been lent.
- (d) There is no overdue amount of loans 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 ₹ 198,839 thousand and the year-end balance of loan taken from such company was ₹ 100,000 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) The loan taken and interest thereon is repayable on demand. As informed to us, the lender has not demanded repayment of any such loan and interest thereon during the year, and thus, there has been no default on the part of the Company.
- (iv) As per the information and explanations given to us, certain fixed assets and inventories purchased are of specialized nature for which comparable prices are not available. Read with above, in our opinion, 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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas. Due to the 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 Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.
- (b) In respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at 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, related to the generation of electricity from hydro-electric power and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

- (ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been delay in one case of dues related to income tax. The provisions relating to employees' state insurance are not applicable to the Company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance are not applicable to the Company.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the Statute	Nature of Dues	Amount (Rs. '000)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Disallowance of expenses under Section 14A	1,584	Assessment Year 2008-09	Commissioner of Income Tax (Appeals)

- (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 bank or debenture holders. There are no dues outstanding to any financial institution.
- (xii) According to the information and explanations given to us and based on the documents and records produced before 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, though surplus funds which were not required for immediate utilization have been kept in current account with bank. The amount of surplus funds kept in current account at the end of year was ₹ 38,000 thousand which has, subsequent to the close of the year, been applied for the purpose for which the loan was obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has created security or charge in respect of debentures outstanding during the year.
- (xx) During the year under review, the Company has not raised money through public issues; 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 year.

For S.R. BATLIBOI & CO.

Firm registration number: 301003E
Chartered Accountants

per Raj Agrawal

Partner
Membership No.: 82028

Place: Gurgaon
Date: June 7, 2011

BALANCE SHEET AS AT 31st MARCH, 2011

	Schedules	As at March 31, 2011	As at March 31, 2010
₹ '000			
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	1,475,257	1,475,257
Reserves and surplus	2	7,620,487	7,187,273
		9,095,744	8,662,530
Loan Funds			
Secured loans	3	3,471,886	3,279,315
Unsecured loans	4	100,000	-
		3,571,886	3,279,315
Deferred Tax Liability (net)	5	225,536	226,130
TOTAL		12,893,166	12,167,975
APPLICATION OF FUNDS			
Fixed Assets			
	6		
Gross block		3,384,278	3,288,874
Less : Accumulated depreciation/amortisation		1,390,846	1,194,523
Net block		1,993,432	2,094,351
Capital work in progress (including capital advances)		-	735,871
		1,993,432	2,830,222
Investments	7	4,929,556	4,929,556
Current Assets, Loans and Advances			
Inventories	8	56,679	19,736
Sundry debtors	9	33,191	41,220
Cash and bank balances	10	480,154	59,123
Other current assets	11	747,246	560,029
Loans and advances	12	4,960,838	4,035,630
		6,278,108	4,715,738
Less: Current Liabilities and Provisions			
Current Liabilities	13	296,174	293,935
Provisions	14	11,756	13,605
		307,930	307,540
Net Current Assets		5,970,178	4,408,198
TOTAL		12,893,166	12,167,976
Notes to Accounts	20		

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

For and on behalf of the Board of Directors

For **S. R. Batliboi & Co.**
Firm Registration No. : 301003E
Chartered Accountants

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

RAVI JHUNJHUNWALA
Chairman & Managing Director

KNUT REED
Director

O.P AJMERA
CEO & CFO

BHARAT SINGH
Company Secretary

Place : Gurgaon
Dated : June 7, 2011

Place : Noida
Date : June 7, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

	Schedules	For year ended March 31, 2011	For year ended March 31, 2010
₹ '000			
INCOME			
Turnover		1,431,151	1,619,439
Less : Discount on prompt payments		28,784	31,997
Less : Handling charges		7,866	7,325
Less : Unscheduled interchange charges		2,905	13,392
Turnover (net)		1,391,596	1,566,725
Other income	15	257,305	446,551
TOTAL		1,648,901	2,013,276
EXPENDITURE			
Wheeling Cost		16,806	15,434
Personnel expenses	16	48,077	38,480
Operating and other Expenses	17	185,194	166,889
Provision against upfront premium/other expenditure for Bara Banghal (refer note no.13 of schedule 20)		359,771	-
Depreciation	6	198,658	199,646
Financial expenses	18	298,372	426,871
TOTAL		1,106,878	847,320
Profit before tax and prior period items		542,023	1,165,956
Prior Period expense (Travelling expense)		1,722	-
Prior Period Income (Surrender value of keyman insurance policy)		-	28,528
Profit before tax		540,301	1,194,484
Current Tax (including Nil, Pervious year Rs. 1,198 thousand pertaining to earlier years)		107,682	204,140
Deferred tax charge / (credit)		(595)	1,133
Total tax expense		107,087	205,273
Net Profit		433,214	989,211
Balance brought forward from previous year		3,918,817	2,924,050
Profit available for appropriation		4,352,031	3,913,261
APPROPRIATION:			
Transfer from debenture redemption reserve		5,556	5,556
TOTAL		5,556	5,556
Surplus carried to balance sheet		4,357,587	3,918,817
Earnings per share (In Rupees) (Nominal value Rs. 10 per share)			
- Basic and Diluted	19	2.94	6.71
Notes to Accounts	20		

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

For and on behalf of the Board of Directors

For **S. R. Batliboi & Co.**
Firm Registration No. : 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

RAVI JHUNJHUNWALA
Chairman & Managing Director

KNUT REED
Director

O.P AJMERA
CEO & CFO

BHARAT SINGH
Company Secretary

Place : Gurgaon
Dated : June 7, 2011

Place : Noida
Date : June 7, 2011

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1: SHARE CAPITAL

	As at March 31, 2011	As at March 31, 2011
(₹ '000)		
Authorised		
160,000,000 (Previous year 160,000,000) equity shares of ₹ 10 each	1,600,000	1,600,000
Issued and Subscribed		
147,525,731 (Previous year 147,525,731) equity shares of ₹ 10 each	1,475,257	1,475,257
Paid-up		
147,525,731 (Previous year 147,525,731) equity shares of ₹ 10 each, fully paid up *	1,475,257	1,475,257
*Of the above 75,238,123 (Previous year 75,238,123) equity shares are held by Bhilwara Energy Ltd., the holding Company		
	1,475,257	1,475,257

SCHEDULE 2: RESERVES AND SURPLUS

	As at March 31, 2011	As at March 31, 2010
(₹ '000)		
Securities premium account	3,254,567	3,254,567
Debenture redemption reserve		
Balance as per last account	13,889	19,445
Transferred to profit and loss account	(5,556)	8,333
Profit and loss account	4,357,587	3,918,817
	7,620,487	7,187,273

SCHEDULE 3: SECURED LOANS

	As at March 31, 2011	As at March 31, 2010
(₹ '000)		
Debentures		
Redeemable Non-Convertible Debentures of ₹ 1,000 thousand each (Refer Note 1 below)	33,333	55,555
Loans and banks (refer note 2 below)		
Term loans		
– Rupee loans	3,409,843	3,180,243
– Foreign currency loans	28,710	43,517
	3,438,553	3,223,760
	3,471,886	3,279,315

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 ₹ 1,000 thousand each privately placed with General Insurance Corporation Ltd., New India Assurance Co. Ltd. and Punjab National Bank equally and 100, 7.865% debentures of ₹ 1,000 thousand each privately placed with Bank of Baroda were redeemable at par in 36 equal quarterly instalments commencing from 31st December 2003. However, the above debentures were subject to a call and put option exercisable by the debenture holders and the Company respectively in November 2007. New India Assurance Co. Ltd (NIA) exercised the call option and 50 debentures of ₹ 1,000 thousand each held by NIA were redeemed completely during the financial year 2007-08. Other debenture holders opted to hold the debentures and repayment is being made as per the schedule. Redemption of ₹ 833 thousand (previous year ₹ 722 thousand) on each debenture has been made till date.
2. Term loans from various banks are secured by way of first mortgage/charge on all the immovable properties wherever situated and hypothecation of all other assets, rights etc., present & future, of the Company on pari-passu basis.
3. Debentures and loans from banks aggregating to ₹ 925,139 thousand (Previous year ₹ 757,982 thousand) are repayable within one year.

SCHEDULE 4 : UNSECURED LOANS :

	As at March 31, 2011	As at March 31, 2010
		(₹ '000)
Short-term loans & advances		
– From holding Company	100,000	–
	100,000	–

SCHEDULE 5 : DEFERRED TAX LIABILITY (NET) :

	As at March 31, 2011	As at March 31, 2010
		(₹ '000)
Deferred Tax Liabilities		
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	225,194	225,872
Income taxable on receipt	342	258
Gross Deferred Tax Liabilities	225,536	226,130
Deferred Tax Assets	–	–
Gross Deferred Tax Assets	–	–
Deferred Tax Liability (Net)	225,536	226,130

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SCHEDULE 6: FIXED ASSETS

(₹ '000)

	Land- Freehold	Road & Building	Civil Works	Transmission Lines	Plant & Machinery	Furniture & Fittings	Office & Other Equipments	Vehicles	Total Tangible Assets	Software	Total Intangible Assets	Total	Previous Year
Gross Block													
At April 1, 2010	21,517	224,958	1,847,265	199,670	958,084	5,754	8,711	11,217	3,277,176	11,698	11,698	3,288,874	3,290,738
Additions	-	92,905	201	-	9	540	1,738	2,714	98,107	-	-	98,107	679
Deductions/ Adjustments	-	-	-	-	-	-	26	2,677	2,703	-	-	2,703	2,543
As at March 31, 2011	21,517	317,863	1,847,466	199,670	958,093	6,294	10,423	11,254	3,372,580	11,698	11,698	3,384,278	3,288,874
Depreciation													
At April 1, 2010	-	64,217	625,253	91,142	384,354	4,111	6,454	8,335	1,183,866	10,657	10,657	1,194,523	996,809
For the year	-	8,269	120,357	10,549	57,177	328	673	1,002	198,355	303	303	198,658	199,646
Deletions / Adjustments	-	-	-	-	-	-	6	2,329	2,335	-	-	2,335	1,932
As at March 31, 2011	-	72,486	745,610	101,691	441,531	4,439	7,121	7,008	1,379,884	10,960	10,960	1,390,846	1,194,523
Net Block March 31, 2011	21,517	245,377	1,101,856	97,979	516,562	1,855	3,302	4,246	1,992,696	738	738	1,993,432	2,094,351
Net Block March 31, 2010	21,517	160,741	1,222,012	108,528	573,730	1,643	2,257	2,882	2,093,312	1,041	1,041	2,094,351	
Capital Work in Progress													
Building under erection													71,705
Capital Advances													1,093
Advance for project allotted (refer note 3 below)													663,073
Sub Total													735,871
Total Fixed Assets as at March 31, 2011	21,517	245,377	1,101,856	97,979	516,562	1,855	3,302	4,246	1,992,694	738	738	1,993,432	
Total Fixed Assets as at March 31, 2010	21,517	160,741	1,222,012	108,528	573,730	1,643	2,257	2,882	2,093,310	1,041	1,041	2,830,222	

Notes :

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

SCHEDULE 7 : INVESTMENTS :

(₹ '000)

	As at March 31, 2011	As at March 31, 2010
Long Term Investments (At Cost)		
In Subsidiary Company Unquoted		
492,955,640 (Previous year 492,955,640) Equity Shares of ₹10 each fully paid of AD Hydro Power Limited (pledged with security trustee on behalf of lenders of AD Hydro Power Limited)	4,929,556	4,929,556
	4,929,556	4,929,556

SCHEDULE 8: INVENTORIES

(₹ '000)

	As at March 31, 2011	As at March 31, 2010
Stores and spares (including material lying with third parties ₹ 1,441 thousand, previous year ₹ 2,043 thousand)	56,679	19,736
	56,679	19,736

SCHEDULE 9: SUNDRY DEBTORS

(₹ '000)

	As at March 31, 2011	As at March 31, 2010
(Unsecured, Considered good)		
Outstanding for a period exceeding six months	-	-
Other debts	33,191	41,220
	33,191	41,220

SCHEDULE 10: CASH AND BANK BALANCES

(₹ '000)

	As at March 31, 2011	As at March 31, 2010
Cash on hand	314	597
Cheques on hand	–	–
Balances with scheduled banks:		
On current accounts	477,957	25,526
On deposit accounts	200	30,200
On margin money account	1,683	2,800
	480,154	59,123

Included in deposit accounts are :

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

SCHEDULE 11: OTHER CURRENT ASSETS

(₹ '000)

	As at March 31, 2011	As at March 31, 2010
Interest accrued on deposits and others	112	51
Interest accrued on loan given to subsidiary company	746,113	559,211
Surrender Value of Keyman Insurance Policy	1,021	767
	747,246	560,029

SCHEDULE 12: LOANS AND ADVANCES

(₹ '000)

	As at March 31, 2011	As at March 31, 2010
Unsecured, considered good		
Loans to employees	1,459	1,944
Loan to subsidiary Company (long term)	4,370,198	3,750,520
Advances for projects	252,630	252,630
Other advances recoverable in cash or in kind or for value to be received	9,075	27,459
Payment of Income Tax/Tax deducted at source	18,397	
Deposits - others	3,079	3,076
Unsecured, considered doubtful		
Advance for Bara Banghal project (including ₹ 53,771 thousand towards consultancy and other expenses on the project)	665,771	–
	5,320,609	4,035,629
Less : Provision against upfront premium/other expenditure for Bara Banghal (refer note no. 13 of schedule 20)	(359,771)	–
	4,960,838	4,035,629
Included in Loans and Advances are :		
i. Dues from the company under the same Management		
AD Hydro Power Limited (Maximum amount outstanding during the year ₹ 5,364,212 thousand (Previous year ₹ 4,262,368 thousand))	4,370,198	3,750,520
ii. Dues from Holding Company		
Bhilwara Energy Limited (Maximum amount outstanding during the year ₹ 466 thousand (Previous year ₹ Nil))	195	–

SCHEDULE 13: CURRENT LIABILITIES

	(₹ '000)	
	As at March 31, 2011	As at March 31, 2010
Sundry creditors (refer note 11 of schedule 20)		
(a) Outstanding dues of Micro & Small Enterprises	-	-
(b) Outstanding dues of creditors other than Micro & Small Enterprises	33,711	32,530
Deposits from holding company (refer note 10 of schedule 20)	252,630	252,630
Deposits from contractors and others	6,329	4,475
Interest accrued on loan from holding Company	271	
Other liabilities	3,233	4,300
	296,174	293,935
Creditors includes		
Managing Director's commission payable	9,201	12,457

Schedule 14: Provisions

	(₹ '000)	
	As at March 31, 2011	As at March 31, 2010
Provision for Income Tax (net of advance tax ₹ Nil thousand (previous year ₹ 465,487 thousand))	-	5,595
Provision for Gratuity (refer note 15 of schedule 20)	887	-
Provision for Long Term Compensated Absences	4,873	3,105
Provision for Continuity Linked Bonus	5,996	4,905
	11,756	13,605

SCHEDULE 15: OTHER INCOME

	(₹ '000)	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Interest from subsidiary company (Gross, tax deducted at source ₹ 43,480 thousand, previous year ₹ 49,788 thousand)	434,803	359,288
Less : Interest from Subsidiary Company waived (refer note 14 of schedule 20)	(247,901)	-
Interest on bank deposits (Gross, Tax deducted at source ₹ 194 thousand, previous year ₹ 169 thousand)	2,097	886
Foreign exchange fluctuation (net)	6	8,012
Profit on sale/discard on fixed assets (net)	24	-
Sale of voluntary emission reductions	67,444	75,982
Unspent liabilities written back	413	1,200
Surrender Value of keyman insurance policy	254	767
Miscellaneous income	165	416
	257,305	446,551

SCHEDULE 16: PERSONNEL EXPENSES

	(₹ '000)	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Salaries, wages and other expenses	38,667	31,214
Contribution to provident fund	2,314	2,034
Contribution to superannuation fund	487	400
Gratuity expenses (refer note 15 of schedule 20)	934	-
Long Term Compensated Absences	1,768	943
Workmen and staff welfare expenses	3,907	3,889
	48,077	38,480

SCHEDULE 17: OPERATING AND OTHER EXPENSES

	(₹ '000)	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Power and fuel	3,877	3,626
Repairs and maintenance		
– Plant and machinery	94,467	51,920
– Civil works	610	316
– Buildings	903	706
– Others	1,166	1,081
Rent	3,882	3,882
Rates and taxes	44	3,335
Insurance	10,553	5,267
Traveling & Conveyance	7,287	8,008
Legal and professional expenses	4,261	6,054
Director's remuneration	10,898	38,547
Commission to managing director	9,201	12,457
Auditor's remuneration :		
– Audit fee	660	908
– Fees for international reporting	330	–
– Fees for special audit	303	303
– Fees for certification	456	276
– Out of pocket expenses	58	7
Loss on fixed assets sold /discarded (net)	–	223
Donations and contributions (other than to political parties)	668	763
Expenses on sale of Voluntary emission reductions (including commission)	18,412	15,453
Open access charges	3,975	–
Miscellaneous expenses	13,183	13,757
	185,194	166,889

SCHEDULE 18: FINANCIAL EXPENSES

	(₹ '000)	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Interest		
– On term loans and debentures	290,257	320,822
– To others	4,174	3,040
Bank charges including guarantee commission and processing fees (net of upfront fees / commitment charges reimbursed by subsidiary company ₹ Nil, previous year ₹ 8,273 thousand)	3,941	103,009
	298,372	426,871

SCHEDULE 19 : EARNINGS PER SHARE (EPS)

	(₹ '000)	
	For the year ended March 31, 2011	For the year ended March 31, 2010
Net profit as per profit and loss account	433,214	989,211
Equity shares at the beginning of the period	147,525,731	147,525,731
Equity shares at the end of the period	147,525,731	147,525,731
Weighted average number of equity shares in calculating basic/diluted EPS	147,525,731	147,525,731
Basic & Diluted Earnings Per Share (in Rupees)	2.94	6.71

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. 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

(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 of 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 of the Companies Act, 1956.

(e) Intangible Asset

Computer software purchased from outside are amortized on written down value method at the rate of 40% per annum based on its estimated useful life.

(f) Borrowing costs

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

(g) 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.

(h) 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.

(i) Inventories

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

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

(j) Revenue recognition

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

Sale of Electricity

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

Interest

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

(k) 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 reporting of such monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

(l) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund and Superannuation 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.

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. 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.

(n) Earnings Per Share

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

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

(o) Provisions

A provision is recognised when 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.

(p) Cash and Cash equivalents

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

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 Companies (Accounting Standard) Rules, 2006 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 period 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. July 5, 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 ₹ 800,000 thousand (Previous year ₹ 800,000 thousand).
- (b) Claims made against the Company not acknowledged as debts –
- (i) Demand from Divisional Forest Officer in respect of damages to forest trees ₹ 3,421 thousand (Previous year - ₹ 3,421 thousand).
- (ii) Demand of Stamp Duty and registration fees ₹ Nil (Previous year ₹ 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.

- (c) In respect of assessment year 2008-09, the Assessing Officer had disallowed certain proportion of the expenses as expenses incurred towards the exempt income under Section 14A and other expenses of the Income Tax Act, 1961 ('the Act') amounting to ₹ 16,658 thousand and raised a demand of ₹ 1,584 thousand (Previous year ₹ Nil). The Company has preferred an appeal before Commissioner of Income Tax (Appeals) in respect of the said matter.

Assessments for the subsequent years could include demands on the similar items, amounts whereof could not be ascertained. Based on expert analysis, management believes that this demand and any possible demand for other assessment years to be raised by Income Tax Authorities on similar grounds, is unlikely to crystallize and there is a fair chance of decision in its favour.

7. Capital Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) ₹ 612,000 thousand (Previous Year ₹ 656,016 thousand)

8. Related Party Disclosures

- (a) Names 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 Pte Ltd.
Fellow Subsidiary Companies	Indo Canadian Consultancy Services Limited, Green Ventures Pvt. Limited
Key Management Personnel	Mr. Ravi Jhunjunwala, Chairman & Managing Director
Relatives of key management personnel	Mrs. Rita Jhunjunwala (Wife of the Chairman & Managing Director) Mr. Riju Jhunjunwala (son of the Chairman & Managing Director) Mr. Rishab Jhunjunwala (son of the Chairman & Managing Director)
Enterprises owned or significantly influenced by key management personnel or their relatives	HEG Limited, Rajasthan Spinning and Weaving Mills Limited.

(b) Transaction with related parties

(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	
	March 2011	March 2010	March 2011	March 2010	March 2011	March 2010	March 2011	March 2010	March 2011	March 2010
Transactions during the year										
Rent										
a) Mrs. Rita Jhunjunwala							1,458	357		
b) Mr. Rishab Jhunjunwala							1,415	1,709		
c) Mr. Riju Jhunjunwala							1,415	1,709		
d) RSWM Limited									3,878	3,878
Consultancy service charges paid to Indo Canadian Consultancy Services Limited			2,343	14,895						
Remuneration paid to Mr. Ravi Jhunjunwala					10,898	10,019				
Commission paid to Mr. Ravi Jhunjunwala					9,201	12,446				
Value of other perquisite (assignment of Keyman insurance policy in favour of Mr. Ravi Jhunjunwala)					-	28,528				
Reimbursement of expenses paid to HEG Limited									275	2,382
Reimbursement of expenses paid to Rajasthan Spinning and Weaving Mills Limited									1,566	381
Reimbursement of expenses paid to Indo Canadian Consultancy Services Limited				-	232					
Reimbursement of expenses paid to AD Hydro Power Limited			995	1,712						
Reimbursement of expenses paid to Statkraft Norfund Power Invest AS	1,963	-								
Reimbursement of expenses recovered from AD Hydro Power Limited			6,739	15,264						
Reimbursement of expenses recovered from Indo Canadian Consultancy Services Limited				-	16,685					
Shares acquired in AD Hydro Power Limited				-	628,000					
Unsecured Loan repaid to Bhilwara Energy Limited (including interest)	242,194	202,237								
Unsecured Loan taken from Bhilwara Energy Limited	342,194	76,521								
Unsecured Loan repaid by AD Hydro Power Limited			232,000	5,189,100						
Unsecured Loan given to AD Hydro Power Limited			851,678	7,615,100						
Interest Income on Unsecured loan given to AD Hydro Power Limited (net of interest waived off of ₹ 247,901 thousand, refer note no. 14 below)			186,902	359,288						

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	
	March 2011	March 2010	March 2011	March 2010	March 2011	March 2010	March 2011	March 2010	March 2011	March 2010
Balances outstanding as at the year end										
Balances Receivable:										
Investment in AD Hydro Power Limited			4,929,556	4,929,556						
Unsecured Loan given to AD Hydro Power Limited			4,370,198	3,750,520						
Interest amount recoverable on Unsecured Loan			746,113	559,211						
Receivable from Bhilwara Energy Limited	195	–								
Balances Payable:										
Deposit taken from Bhilwara Energy Limited	252,630	252,630								
Loan taken from Bhilwara Energy Limited	100,000	–								
Mr. Ravi Jhunjunwala (commission)					9,201	12,457				
Guarantees given by the Company on behalf of AD Hydro Power Limited			800,000	800,000						

9. Supplementary Statutory Information

(₹ '000)

	March 2011	March 2010
(a) Managing Director Remuneration		
Salaries	6,125	5,825
Commission	9,201	12,457
Rent paid	3,675	3,495
Contribution to Provident Fund	735	699
Other perquisites (previous year includes assignment of Keyman insurance policy)	363	28,528
	20,099	51,004

Notes:

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

	March 2011	March 2010
(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	540,301	1,194,484
Add: Depreciation as per Profit & Loss Account	198,658	199,646
Directors' remuneration	20,099	51,004
Loss on Sale of Fixed Asset	–	223
Provision against up front premium/other expenditure *	359,771	–
	1,118,829	1,445,357
Less: Depreciation under section 350 of the Companies Act, 1956	198,658	199,646
Profit on sale of Fixed Assets	24	–
Net Profit as per Section 349 of the Companies Act, 1956	920,147	1,245,711
Add: Directors' remuneration	20,099	51,004
Profit as per Section 198 of the Companies Act, 1956	940,246	1,296,715

Commission to Managing Director

	March 2011	March 2010
Maximum commission under section 309 of Companies Act, 1956 at 10% of net profits (after reducing remuneration of Rs. 10,898 thousand (previous year Rs 38,547 thousand), excluding commission)	92,935	125,817
Commission actually approved for payment (@ 1% of profits under Section 349 of the Companies Act, 1956)	9,201	12,457

* Based on expert legal opinion, the Company has been advised that such provision against upfront premium/other expenditure for Bara Banghal is to be added back for computation of net profits under section 349 of the Companies Act, 1956.

10. During the financial year 2007-08, the Company had paid 50% upfront premium of Rs. 252,630 thousand to the Government of Himachal Pradesh as first installment for the 140 MW Chango Yangthang HEP project which was awarded to the Company. This amount was 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 financial year 2007-08, 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 and relied upon by the auditors, 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.

(₹ '000)

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Lease payments for the year	3,882	3,882

13. In an earlier year, the Company had given an upfront premium of ₹ 612,000 thousand for 200 MW Bara Banghal HEP project in state of Himachal Pradesh. Further, the Company has incurred expenses in the nature of consultant fees and other expenses of ₹ 53,771 thousand in relation to this project.

Approx. 21.46 hectares of land for the said project falls under the Dhauladhar Wildlife Sanctuary, where no construction is permitted. The Company has filed an impleadment application with the Supreme Court of India for giving direction to the Wildlife Authority for processing and granting the technical clearance for the said project.

As per the Himachal Pradesh State Hydro Policy, 2006, "The Developer will be permitted to withdraw from the Project after the conveyance of non – feasibility of the Project, if the Government is satisfied that the Developer has sufficient ground to establish that the Project is not techno – economically viable, without any liability on the Government of Himachal Pradesh for the expenditure incurred by the Developer. The security deposited at the time of signing of MOU shall be refunded without interest. 50% of the upfront premium shall also be refunded without interest".

Pending the decision on application by the Supreme Court of India for grant of clearance of the project and in view of uncertainties related to such approvals and significant delays in respect of the project as stated above and in accordance with the terms of the Hydro Policy of the State, the Board of Directors have considered it prudent to make provision against 50% of the upfront premium of ₹ 306,000 thousand and entire expenses incurred of ₹ 53,771 thousand till date (i.e. total amount of ₹ 359,771 thousand) incurred till March 31, 2011 in respect of this project.

The Company has been advised by a tax expert that such provision is allowable for computation of book profits under Section 115JB of the Income Tax Act, 1961. The provision for income tax has been made on the aforesaid basis in the books of account.

14. The Company has given loan to its subsidiary, AD Hydro Power Limited of which ₹ 4,370,198 thousand (principal amount) is outstanding at year end.

The subsidiary company has commenced commercial operations during the current year and commissioned its transmission line with effect from September 16, 2010. Due to substantial cost overruns witnessed at the subsidiary, resulting in huge reported losses as at March 31, 2011, the subsidiary company has requested the Company to waive off the interest from September 17, 2010 to March 31, 2011 and henceforth not to charge any interest till the time the subsidiary company's operations become profitable. The Board of Directors, vide their meeting dated March 29, 2011, have approved such request of the subsidiary and, thus agreed to waive off interest of ₹ 247,901 thousand for the period from September 17, 2010 to March 31, 2011 (which was charged at rate of interest of 11 % per annum, as agreed with the subsidiary company earlier).

Based on expert legal opinion, the management believes that there is no income tax or corporate laws implications which arise out of the said waiver and thus, accounting for such waiver of interest has been made in the financial statements.

15. Gratuity (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 with a Gratuity Trust Fund established to provide gratuity benefits. The Trust Fund has taken a Scheme of Insurance, whereby these contributions are transferred to the insurer. The Company makes provision of such gratuity asset/ liability in the books of accounts on the basis of actuarial valuation as per the Projected unit credit method.

The following tables 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:

Profit and Loss Account

Net employee benefits expense (recognised in Employee Cost):

Particulars	For the year ended March 31, 2011 (₹ '000)	For the year ended March 31, 2010 (₹ '000)
Current Service Cost	587	490
Interest cost on benefit obligation	349	385
Expected return on plan assets	(353)	(330)
Net actuarial (gain)/ loss recognised in the year	351	(592)
Past service cost	-	-
Net benefit expense	934	(47)
Actual return on plan assets	333	877

Balance Sheet

Details of Provision for Gratuity:

Particulars	As at March 31, 2011 (₹ '000)	As at March 31, 2010 (₹ '000)
Defined benefit obligation	5,400	4,363
Fair value of plan assets	4,513	4,410
	(887)	47
Less: Unrecognised past service cost	-	-
Plan asset / (liability)	(887)	47

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

Particulars	For the year ended March 31, 2011 (₹ '000)	For the year ended March 31, 2010 (₹ '000)
Opening defined benefit obligation	4,363	5,133
Interest cost	349	385
Current service cost	587	490
Benefits paid	(230)	(1,600)
Actuarial (gains)/ losses on obligation	331	(45)
Closing defined benefit obligation	5,400	4,363

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

Particulars	For the year ended March 31, 2011 (₹ '000)	For the year ended March 31, 2010 (₹ '000)
Opening fair value of plan assets	4,410	4,130
Expected return	353	330
Contributions by employer	-	1,002
Benefits paid	(230)	(1,600)
Actuarial gains / (losses)	(20)	547
Closing fair value of plan assets	4,513	4,410

The defined benefit obligation amounting to ₹ 5,400 thousand is funded by assets amounting to ₹ 4,513 thousand and the Company expects to contribute ₹ 887 thousand during the year 2011-12.

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

Particulars	For the year ended March 31, 2011 %	For the year ended March 31, 2010 %
Investments with insurer	100	100

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

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

Particulars	For the year ended March 31, 2011 %	For the year ended March 31, 2010 %
Discount Rate	8.00	7.50
Expected rate of return on assets	8.00	8.00
Future Salary Increase	5.50	5.00
Withdrawal rate	1 to 3	1 to 3

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

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

	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009	For the year ended March 31, 2008
Defined benefit obligation	5,400	4,363	5,133	4,000
Plan assets	4,513	4,410	4,130	1,198
Surplus / (deficit)	(887)	47	(1,002)	(2,002)
Experience adjustments on plan liabilities	(347)	24	(260)	-
Experience adjustments on plan assets	(20)	547	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

(₹ in thousands)

	For the year ended March 31, 2011	For the year ended March 31, 2010
Contribution to Provident Fund	2,314	2,034
Contribution to Superannuation Fund	487	400
	2,801	2,434

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

Particulars	2010-11	2009-10
Foreign Currency Loan	₹ 28,710,400 (USD 640,000 @ closing rate of 1USD=₹ 44.86)	₹ 43,516,800 (USD 960,000 @ closing rate of 1USD=₹ 45.33)
Provision against equipment supplied	Nil	₹ 2,846,356 (CHF 66,816 @ closing rate of 1CHF=₹ 42.60)

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

a) Information in respect of Generation and Turnover:

		2010-11	2009-10
(i)	Installed capacity (technically estimated)	86 MW	86 MW
(ii)	Generation	M.U. 333.864	305.790
(iii)	Less:- Auxiliary Consumption and Associated Transmission Loss	M.U. 5.451	3.167
	Free Energy to Govt. of H.P.	M.U. 49.429	45.393
	Free Energy to HPSEB for wheeling of power	M.U. 11.204	10.289
(iv)	Turnover (including impact of UI Charges – (6.308) M.U., (Previous period (2.765) MU))	M.U. 261.472	244.176
		Rs'000 1,431,151	1,619,439

b) Imported and indigenous stores and spare parts consumed (included under respective heads of profit & loss account) :

	Percentage of total consumption		Value (Rs.'000)	
	2010-11	2009-10	2010-11	2009-10
Stores & Spares				
Imported	70.47	70.72	54,650	28,902
Indigenously obtained	29.53	29.28	22,904	11,967
	100.00	100.00	77,554	40,869

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

	2010-11 (₹ in '000)	2009-10 (₹ in '000)
Travelling & Conveyance	1,883	2,066
Legal and professional expenses	2,569	1,570
Repair & Maintenance	-	16,281
Fee & Subscription	2,766	153
Others	-	1

d) Earnings in foreign currency (accrual basis)

	2010-11 (₹ in '000)	2009-10 (₹ in '000)
Others (Sale of Voluntary Emission Rights)	67,444	75,982

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

For and on behalf of the Board of Directors

As per our report of even date

For **S. R. Batliboi & Co.**
Firm Registration No. : 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : June 7, 2011

RAVI JHUNJHUNWALA
Chairman & Managing Director

KNUT REED
Director

O.P AJMERA
CEO & CFO

BHARAT SINGH
Company Secretary

Place : Noida
Date : June 7, 2011

CASH FLOW STATEMENT AS AT MARCH 31, 2011

Particulars	March 2011 ₹ '000	March 2010 ₹ '000
A. Cash flow from operating activities		
Net profit before taxation	540,301	1,194,484
Adjustments for:		
Depreciation	198,658	199,646
Interest expenses	294,430	323,862
(Profit) / Loss on fixed assets sold / discarded (net)	(24)	223
Provision against upfront premium/other expenditure for Barabangal	359,771	-
Unrealised foreign exchange loss/(gain)	(6)	(8,011)
Interest income	(188,998)	(360,174)
Operating profit before working capital changes	1,204,132	1,350,030
Movements in working capital:		
Decrease / (Increase) in sundry debtors	8,029	(19,612)
(Increase) in other current assets	(254)	(767)
Decrease / (Increase) in loan and advances	18,866	11,559
Decrease / (Increase) in inventories	(36,943)	316
(Decrease) / increase in current liabilities and provisions	5,714	(1,350)
Cash generated from operations	1,199,544	1,340,176
Direct taxes paid (Net of refund)	131,674	226,851
Net cash from operating activities	1,067,870	1,113,325
B. Cash flows from / (used in) investing activities		
Purchase of fixed assets (including capital work in progress)	(28,007)	(46,533)
Loans and advances to subsidiary company	(619,678)	(2,389,764)
Proceeds from sale of fixed assets	392	388
Interest received (including received from subsidiary)	2,036	873
Net cash from/ (used in) investing activities	645,257	(2,435,036)

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Particulars	March 2011 ₹ '000	March 2010 ₹ '000
C. Cash flows from / (used in) financing activities		
Fixed deposits redeemed	–	1,683
Fixed deposits placed	(1,683)	–
Proceeds from / (Repayments of) Short term borrowings	100,000	(698,261)
(Repayment of) long – term borrowings	(757,423)	(622,408)
Proceeds from long – term borrowings	950,000	3,010,000
Interest paid	(294,159)	(334,649)
Net cash from / (used in) financing activities	(3,265)	1,356,365
Net increase / (decrease) in cash and cash equivalents (A+B+C)	419,348	34,654
Cash and cash equivalents at the beginning of the year	59,123	24,469
Cash and cash equivalents at the end of the year	478,471	59,123
Components of cash and cash equivalents		
Cash on hand	314	597
With banks – on current accounts	477,957	25,526
– on deposit accounts	200	30,200
– on margin money account	–	2,800
	478,471	59,123

Notes:

1. Difference in the figure of cash and bank balance as per schedule 10 and as shown above of ₹ 1,683 thousand (Previous Year Rs. Nil) represents long term investment in fixed deposit with an original maturity of more than three months.

For and on behalf of the Board of Directors

As per our report of even date

For **S. R. Batliboi & Co.**
Firm Registration No. : 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : June 7, 2011

RAVI JHUNJHUNWALA
Chairman & Managing Director

KNUT REED
Director

O.P AJMERA
CEO & CFO

BHARAT SINGH
Company Secretary

Place : Noida
Date : June 7, 2011



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS

Registration No.

1	9	9	5	9
---	---	---	---	---

 State Code

0	6
---	---

Balance Sheet Date

3	1
---	---

0	3
---	---

2	0	1	1
---	---	---	---

Date Month Year

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

Public Issue

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

 Rights Issue

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

Bonus Issue

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

 Private Placement

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

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

Total Liabilities

1	3	2	0	1	0	9	6
---	---	---	---	---	---	---	---

 Total Assets

1	3	2	0	1	0	9	6
---	---	---	---	---	---	---	---

SOURCES OF FUNDS

Paid-up Capital

	1	4	7	5	2	5	7
--	---	---	---	---	---	---	---

 Reserves and Surplus

	7	6	2	0	4	8	7
--	---	---	---	---	---	---	---

Share Application Money

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

 Deferred Tax Liability

		2	2	5	5	3	6
--	--	---	---	---	---	---	---

Secured Loans

	3	4	7	1	8	8	6
--	---	---	---	---	---	---	---

 Unsecured Loans

		1	0	0	0	0	0
--	--	---	---	---	---	---	---

APPLICATION OF FUNDS

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

	1	9	9	3	4	3	2
--	---	---	---	---	---	---	---

 Investments

	4	9	2	9	5	5	6
--	---	---	---	---	---	---	---

Net Current Assets

	5	9	7	0	1	7	8
--	---	---	---	---	---	---	---

 Misc. Expenditure

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

Accumulated Losses

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

4. PERFORMANCE OF COMPANY (Amount in ₹ Thousands)

Turnover

	1	6	4	8	9	0	1
--	---	---	---	---	---	---	---

 Total Expenditure

	1	1	0	8	6	0	0
--	---	---	---	---	---	---	---

Profit/Loss before Tax

		5	4	0	3	0	1
--	--	---	---	---	---	---	---

 Profit/Loss after tax

		4	3	3	2	1	4
--	--	---	---	---	---	---	---

Earning Per Share (in ₹)

	2	.	9	4
--	---	---	---	---

 Dividend Per Share (in ₹)

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

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

Item Code No. (ITC Code)

9	8	0	1	0	0
---	---	---	---	---	---

Product Description

H	y	d	r	o		E	l	e	c	t	r	i	c		E	n	e	r	g	y
---	---	---	---	---	--	---	---	---	---	---	---	---	---	--	---	---	---	---	---	---

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA
Chairman & Managing Director

KNUT REED
Director

O.P AJMERA
CEO & CFO

BHARAT SINGH
Company Secretary

Place : Noida
Date : June 7, 2011

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, 2011
2. Holding company's interest	88% in equity shares
3. Shares held by the holding company in the subsidiary	492,955,640 equity shares of ₹ 10 each fully paid up Amounting to ₹ 49,295.56 lacs
4. The net aggregate of profits or losses For the current period of the subsidiary concerns the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	Nil
b. not dealt with or provided for in the accounts of the holding company	NA
5. The net aggregate of profits or losses for the current period of the subsidiary concerns the members of the holding company	
a. dealt with or provided for in the accounts of the holding company	Nil
b. not dealt with or provided for in the accounts of the holding company	NA

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA
Chairman & Managing Director

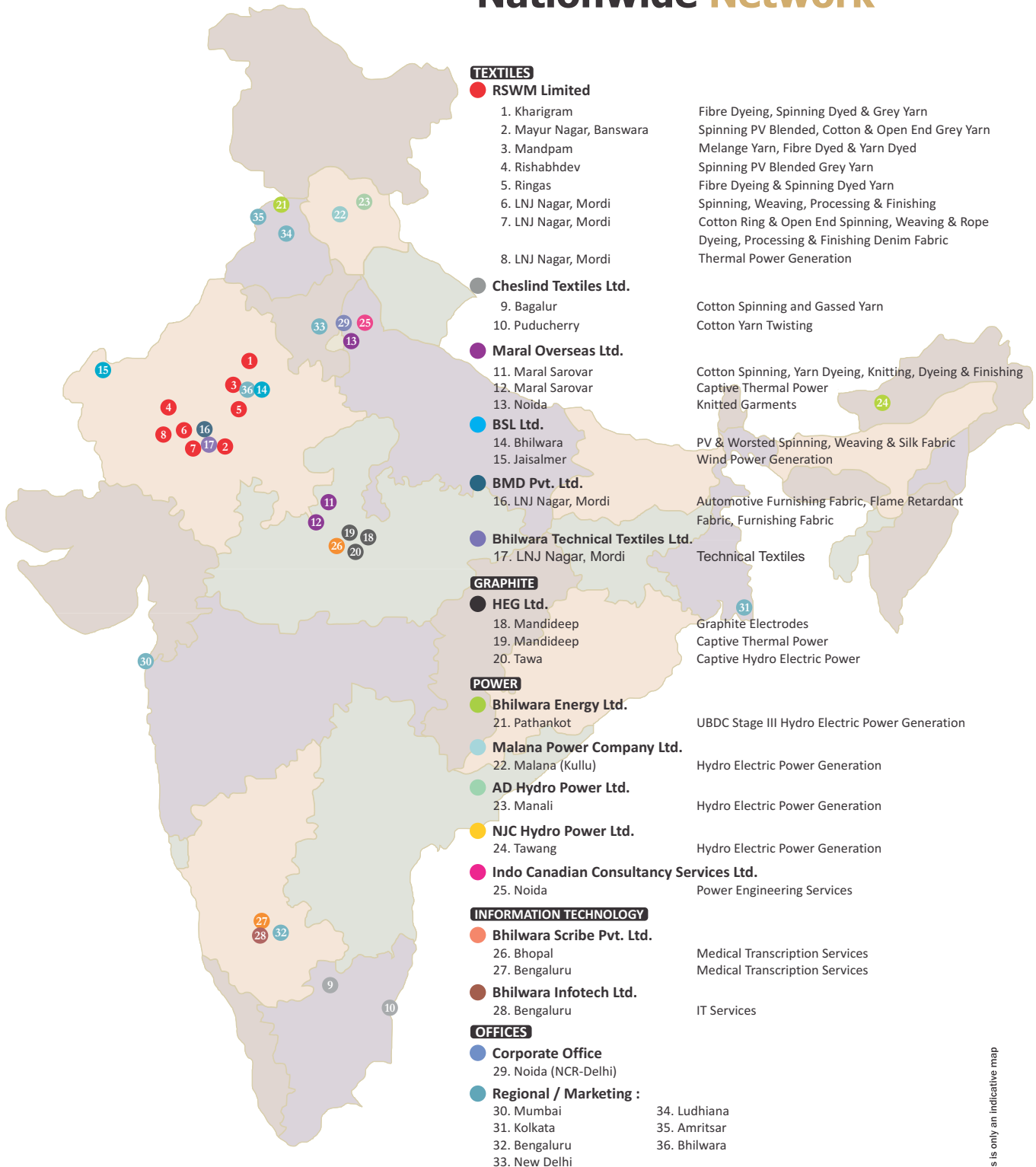
KNUT REED
Director

O.P AJMERA
CEO & CFO

BHARAT SINGH
Company Secretary

Place : Noida
Date : June 7, 2011

Nationwide Network





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



PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL