

The power to enrich lives





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CHAIRMAN'S MESSAGE

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



Dear Shareholder,

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

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

India is a power-deficit country with an energy short fall of about 9.9% and a peak shortage of 13.5% (2006-07). The energy gap is expected to rise to 240,000 MW in 2031-32. Although the government has a blueprint for “Power for All by 2012”, capacity addition during the 10th Five-Year Plan (current) is short of its target by a whopping 48%.

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

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

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

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

The year for ADHPL

During the current fiscal, ADHPL made significant progress in the timely completion of the Allain Duhangan project. Though most of the construction work like Allain river barrage, intermediate reservoir, power house, transmission line, switch yard, generators and turbines are progressing as per schedule, construction of the water conductor system at the Allain site has been impeded due to certain unforeseen environmental and geological challenges. Even then, the project is expected to be commissioned by November 2009, about eight months behind schedule.

The project cost has increased significantly due to a steep hike in construction costs, changes in regulatory requirements and huge geological problems. International Finance Corporation (IFC), Washington, the lead financial institution and equity partner in the project have been appraised about the difficult ground situation, who have extended full support by increasing their stake in the project.

Your company has adopted prudent risk-management practices and is closely monitoring the market situation. We believe that since Allain Duhangan is a merchant power project, we can expect higher realizations from sale of power in what is essentially a power-deficit market. The management team is fully committed to the successful completion of the project.

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

On behalf of the Board of Directors, I would like to express our grateful thanks to the Himachal Pradesh Government, Himachal Pradesh State Electricity Board, the Government of India, International Finance Corporation, Washington, other financial institutions and banks, various departments of the State and Centre for timely help, guidance and valued support. I would also like to salute the skill, commitment and hard work of our employees.

Ravi Jhunjhunwala
Chairman



CORPORATE INFORMATION

BOARD OF DIRECTORS

Directors

Ravi Jhunjhunwala Chairman
L. N. Jhunjhunwala
Einar Stenstadvoid
Kamal Gupta
Øistein Andresen
Bidyut Shome

Whole Time Director

R. P. Goel

KEY EXECUTIVES

O. P. Ajmera President & Chief Financial Officer
Ashok Joshi Project Incharge - Site

STATUTORY AUDITORS

S. R. Batliboi & Associates
Gurgaon

INTERNAL AUDITOR

Ashim & Associates
New Delhi

TECHNICAL CONSULTANTS

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

BANKERS

Axis Bank Limited
State Bank of India
Yes Bank Limited
Centurion Bank of Punjab Limited
Punjab National Bank
Punjab & Sind Bank
ICICI Bank Limited
The Jammu & Kashmir Bank Limited
Oriental Bank of Commerce

CORPORATE OFFICE

Bhilwara Towers
A-12, Sector - 1, Noida - 201 301, (U.P.)
Phone: 0120-254 1810/4390300
Fax: 0120-253 1648

REGISTERED OFFICE & WORKS

Village Prini, P.O. Tehsil - Manali
Distt. Kullu (H.P.)
Phone: 01902-250183/184
Fax: 01902-251798
Email: adhydropower@hotmail.com

LIAISON OFFICE

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

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DIRECTORS' REPORT

TO THE MEMBERS,
AD HYDRO POWER LIMITED

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

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

PROJECT EXPENSES

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

(Amount in Rs. Million)

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

PROJECT STATUS AND CONSTRUCTION ACTIVITIES

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



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

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

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

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

STATUS OF FINANCING

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

(Amount in Rs. Million)

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

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

(Amount in Rs. Million)

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

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

THE FUTURE OUTLOOK – INDIAN POWER SECTOR

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



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

National Supply and Demand Situation

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

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



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

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

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

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

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

SHARE CAPITAL

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

ENVIRONMENT, HEALTH AND SAFETY

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

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



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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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



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

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

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

HUMAN RESOURCES DEVELOPMENT

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

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

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

DIVIDEND & OTHER APPROPRIATIONS

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

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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

INTERNAL AUDIT

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

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

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PARTICULARS OF EMPLOYEES

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

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

DIRECTORS

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

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

AUDIT COMMITTEE

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

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

AUDITORS

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

AUDITORS' REMARKS

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

PUBLIC DEPOSITS

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

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

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

CORPORATE GOVERNANCE

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

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

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

ACKNOWLEDGEMENTS

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

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

For and on behalf of the Board of Directors

Ravi Jhunjunwala
Chairman

Place: Manali
Date: 28th May 2008



ANNEXURE TO THE DIRECTORS' REPORT

ANNEXURE - I

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

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

(Rs. in Million)

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

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





AUDITORS' REPORT

To

The Members of AD Hydro Power Limited

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

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No. : 82028

Place : Manali

Date : 29th May, 2008

Annexure referred to in paragraph 3 of our report of even date

Re: [AD Hydro Power Limited] ('the Company')

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



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

S.R. BATLIBOI & ASSOCIATES

Chartered Accountants

per RAJ AGRAWAL

Partner

Membership No. : 82028

Place : Manali

Date : 29th May, 2008

BALANCE SHEET AS AT 31st MARCH 2008

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

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

As per our report of even date

S.R.Batliboi & Associates

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No. : 82028

Place : Manali

Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Director

ØISTEIN ANDRESEN Director

AJAY HEMRAJANI Company Secretary

SCHEDULES TO THE ACCOUNTS

SCHEDULE 1: SHARE CAPITAL

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

SCHEDULE 2: SECURED LOANS

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

Note:

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

SCHEDULE 3: UNSECURED LOANS

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

SCHEDULE - 4 : FIXED ASSETS

(Rs.'000)

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

SCHEDULE - 5 : CAPITAL WORK IN PROGRESS

(Rs.'000)

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

SCHEDULE 6: PROJECT AND PRE-OPERATIVE EXPENSES

(pending allocation)

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

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

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

SCHEDULE 7: INVENTORIES

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

SCHEDULE 8: CASH AND BANK BALANCES

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

SCHEDULE 9: OTHER CURRENT ASSETS

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

SCHEDULE 10: LOANS AND ADVANCES

(Unsecured, considered good)

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

SCHEDULE 11: CURRENT LIABILITIES

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

SCHEDULE 12: PROVISIONS

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

SCHEDULE 13: MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

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

SCHEDULE 14 : NOTES TO ACCOUNTS

1. Nature of Operations

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

2. Statement of Significant Accounting Policies.

(a) Basis of preparation

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

(b) Use of Estimates

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

(c) Changes in accounting policy

Adoption of Accounting Standard AS15 (Revised) Employee Benefits

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

(d) Fixed Assets

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

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

(e) Expenditure on new projects

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

(f) Depreciation

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

(g) Inventories

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

(h) Revenue recognition

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

Interest

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

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

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

(j) Foreign currency translation

Foreign currency transactions

(i) Initial Recognition

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

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are

carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences

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

(k) Retirement and other employee benefits

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

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

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

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

(l) Provisions

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

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

(m) Income Taxes

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

(n) Cash and Cash equivalents

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

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

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

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

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

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

6. Related Party Disclosure

(a) Name of related party

Ultimate Holding Company

Bhilwara Energy Limited

Holding Company

Malana Power Company Limited

Key Management Personnel

Mr. R. P. Goel,, Whole Time Director.

Fellow Subsidiary

Indo Canadian Consultancy Services Limited

(b) Transaction with related parties

(Rs.'000)

Nature of Transaction	Ultimate Holding Company		Holding Company		Key Management Personnel		Fellow Subsidiary	
	2008	2007	2008	2007	2008	2007	2008	2007
Transactions during the year								
Remuneration paid to Mr. RP Goel					1,941	1,650		
Consultancy charges paid to Indo Canadian Consultancy Services Limited							52,795	35,529
Reimbursement of expenses incurred by Malana Power Company Limited on behalf of the company			13,685	-				

...Contd.

(Rs.'000)

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

7. Capital Commitments

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

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

9. Derivative instruments and unhedged foreign currency exposure.

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

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

(Rs.'000)

Particulars	2008	2007
Creditors for expenses	-	25,814
10. Statutory Supplementary Information		
Particulars	2008	2007
(a) Directors Remuneration		
Salaries	1,183	1,020
Allowances	758	630
	1,941	1,650

Notes:

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

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

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

a) Imported and indigenous stores and spare parts consumed:

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

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

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

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

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

Profit and Loss Account

Net employee benefits expense (recognised in Employee Cost):

(Rs.'000)

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

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

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

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

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

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

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

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

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

Particulars	As At March 31, 2008
	%
Investments with insurer	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. There has been significant change in expected rate of return on assets due to the improved stock market scenario.

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

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

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

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

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

As per our report of even date

S.R. Batliboi & Associates

Chartered Accountants

per **RAJ AGRAWAL**

Partner

Membership No. : 82028

Place : Manali

Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Director

ØISTEIN ANDRESEN Director

AJAY HEMRAJANI Company Secretary

CASH FLOW STATEMENT AS AT 31st MARCH, 2008

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

As per our report of even date

S.R. Batliboi & Associates
Chartered Accountants

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

Place : Manali
Date : May 28, 2008

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Director
ØISTEIN ANDRESEN Director
AJAY HEMRAJANI Company Secretary

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS :

Registration No. State Code

Balance Sheet Date
Date Month Year

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

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

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(Amount in Rs. Thousand)

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

SOURCES OF FUND

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

APPLICATION OF FUNDS

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

IV PERFORMANCE OF COMPANY (Amount in Rs. Thousand)

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

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

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

For and on behalf of the Board of Directors

RAVI JHUNJHUNWALA Director
ØISTEIN ANDRESEN Director
AJAY HEMRAJANI Company Secretary

Place : Manali

Date : May 28, 2008



LNJ Bhilwara Group

TEXTILES

RSWM Limited

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

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

Cheslind Textiles Ltd.

9. Bagalur
10. Pondicherry
11. Tirupur

Cotton Yarn
 Cotton Yarn
 Knitted Fabric

RSWM-SISA, S.A.

12. Barcelona, Spain

Cotton Yarn

Maral Overseas Ltd.

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

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

BSL Ltd.

17. Bhilwara
18. Jaisalmer

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

Bhilwara Spinners Ltd.

19. Bhilwara

Synthetic, Blended Grey & Dyed Yarn

BMD Pvt. Ltd.

20. LNJ Nagar, Mordi

Specialised Automotive Fabric & Furnishing Fabric

Bhilwara Processors Ltd.

21. Bhilwara

Processing of Synthetic & Worsted Fabric, Tops Fibre Dyeing

GRAPHITE

HEG Ltd.

22. Mandideep
23. Mandideep
24. Tawa

Graphite Electrodes
 Captive Thermal Power
 Captive Hydro Electric Power

POWER

Bhilwara Energy Ltd.

25. Pathankot
26. Tawang

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

Malana Power Company Ltd.

27. Malana (Kullu)

Hydro Electric Power Generation

AD Hydro Power Ltd.

28. Allain-Duhangan (Manali)

Hydro Electric Power Generation

Indo Canadian Consultancy Services Ltd.

29. Noida

Power Engineering Services

INFORMATION TECHNOLOGY

Bhilwara Scribe Pvt. Ltd.

30. Bhopal
31. Bengaluru

Medical Transcription Services
 Medical Transcription Services

Bhilwara Infotech Ltd.

32. Bengaluru

IT Services

OFFICES

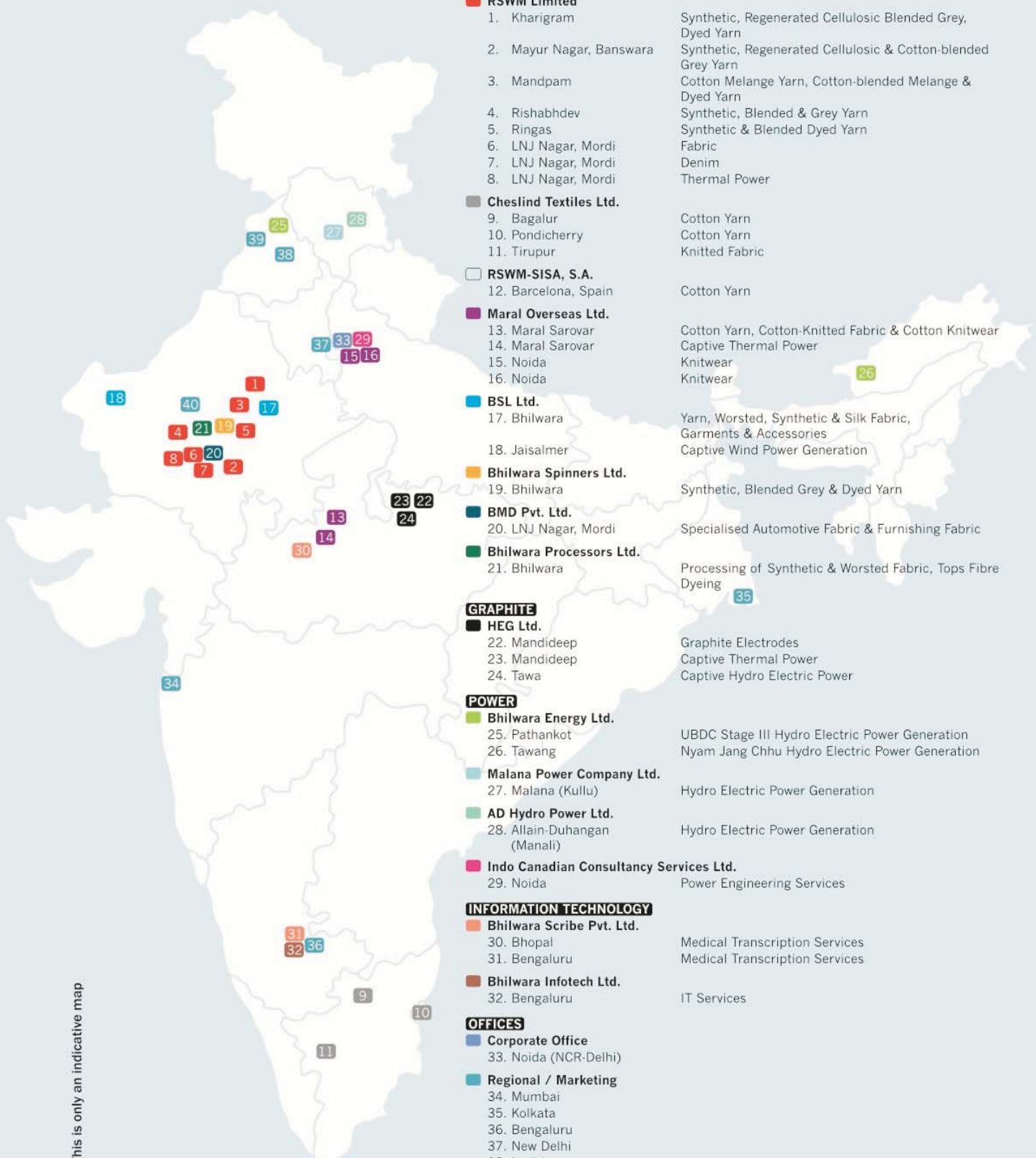
Corporate Office

33. Noida (NCR-Delhi)

Regional / Marketing

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

This is only an indicative map





PROUD TO BE INDIAN
PRIVILEGED TO BE GLOBAL



AD Hydro Power Limited
Bhilwara Towers, A-12, Sector I, Noida - 201301 (NCR - Delhi), India
www.adhydropower.com/www.lnjbhilwara.com