ANNUAL REPORT
OF

AD HYDRO POWER LIMITED

CORPORATE INFORMATION

CHAIRMAN
Mr. Ravi Jhunjhunwala

DIRECTORS
Mr. L. N. Jhunjhunwala
Mr. Erik Knive
Dr. Kamal Gupta
Mr. Bidyut Shome
Mr. Lars Ellegard

WHOLE TIME DIRECTOR
Mr. R. P. Goel

KEY EXECUTIVES
Mr. O.P. Ajmera, Chief Executive Officer
Mr. V. D. Bhatia, Vice President (Operations)
Mr. Surya Kant Chahal, In-charge (Operations)

COMPANY SECRETARY
Mr. Narayan Lodha

STATUTORY AUDITORS
M/s. S. R. Batliboi & Co. LLP, Gurgaon

INTERNAL AUDITORS
M/s. Ashim & Associates, New Delhi

TECHNICAL CONSULTANTS
M/s. RSW International Inc., Canada
M/s. Indo Canadian Consultancy Services Ltd., Noida

BANKERS / FINANCIAL INSTITUTIONS
International Finance Corporation - Washington
IDBI Bank Limited
Punjab & Sind Bank
Oriental Bank of Commerce
United Bank of India
Punjab National Bank
Axis Bank Limited
The Jammu & Kashmir Bank Limited
Aditya Birla Finance Limited

CORPORATE OFFICE
Bhilwara Towers
A-12, Sector - 1
Noida - 201 301 (NCR-Delhi)
Phone : 0120 - 4390000 (EPABX)
Fax : 0120 - 4277841
Website : www.adhydropower.com

REGISTERED OFFICE & WORKS
Village Prini, P.O. Tehsil - Manali
Distt. Kullu (H.P.)
Phone : 01902- 250183 / 184
Fax : 01902 - 251798

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

CHAIRMANS' SPEECH

Dear Stakeholder,

India's GDP growth is going through a sluggish phase of sub 5 per cent in the current financial year, due to a mix of domestic and external factors. In order to put the nation again on path of over 8 per cent growth, empowered committees like Cabinet Committee on Investment (CCI) and Cabinet Committee on Economic Affairs (CCEA) are working overtime on clearance of stranded projects and; removing bottlenecks for smooth operations of the projects in the energy sector. These steps are expected to revive the industry sentiment and boost investor confidence in the sector, which will certainly help in reducing the gap between demand and supply in the energy sector.

Still a lot needs to be done before the energy sector enters into the high trajectory. Clarity is required on the announced policies and their implementation. The biggest challenge will be minimization of subsidies in power sales, which will improve the financial health of the distribution companies. A positive momentum at the distribution companies end will reduce vulnerability in the backward supply chain consisting of power transmission and generation companies.

As widely anticipated the Southern Grid is likely to get linked to the other grids. The energy starved southern states will get access to power supplies from more generators. Vice versa merchant power producers will get access to more consumers. This is likely to result in buoyancy in energy prices, which will stabilize over a period of time.

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, International Finance Corporation, lenders, commercial banks, financial institutions, joint venture partners for their unending support. I would also take this opportunity to thank our employees and business associates, who have been the pillar of strength for the Company.

With Best Regards

Ravi Jhunjhunwala
Chairman

DIRECTORS' REPORT

TO THE MEMBERS

A D HYDRO POWER LIMITED

The Directors of the Company are pleased to present their Tenth Annual Report on the business and operations of the Company and Audited Statement of accounts for the year ended 31st March, 2013 together with the Auditors' Report.

1.0 FINANCIAL PERFORMANCE (₹ in million)

Particulars	For the Year ended 31.03.2013	For the Year ended 31.03.2012
TOTAL TURNOVER	**2064.142**	1,688.519
Less : Discount on prompt payments	**35.289**	27.213
Less : Handling charges	**5.772**	4.816
Add: Unscheduled interchange charges	**11.691**	36.536
Net Sales	**2,034.772**	1,693.026
Transmission Charges	**278.705**	180.889
Revenue from operations	**2,313.477**	1,873.915
Other Income	**294.005**	4.724
Total Income	**2,607.482**	1,878.639
PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION AND TAX	**1,960.875**	1,266.505
Interest	**1,049.589**	871.772
PROFIT/(LOSS) BEFORE DEPRECIATION AND TAX	**911.286**	394.733
Depreciation	**1,169.730**	952.406
Profit / (Loss) Before Tax	**(258.444)**	(557.673)
NET PROFIT/(NET LOSS) AFTER DEPRECIATION INTEREST AND TAX	**(258.444)**	(557.673)
Balance brought forward from previous year	**(1,684.207)**	(1,126.534)
NET PROFIT/(NET LOSS) CARRIED TO BALANCE SHEET	**(1,942.651)**	(1,684.207)
EPS	**(0.46)**	(1.00)

Your Company's total income during the year stood at ₹ 2,607.482 million as compared to ₹ 1,878.639 million in previous year.

In the previous financial year, the Duhangan side, which accounted for 30% of the capacity, was commissioned in end of February 2012. Accordingly only 70% of the capacity was available for utilization for FY2011-12. Hence FY2012-13 is the first financial year after the commissioning of the project in 2010, for which the full plant capacity is available. Accordingly any comparison with the performances in the previous financial year needs to take the same into account.

The operation data for the year is as given below:

(in million units)

S. No.	Particulars	2012-13	2011-12
1	Total Generation	681.167	527.248
2	Less: Auxiliary & Transmission Loss	18.108	13.825
3	Less: Royalty/ Wheeling to Govt. of HP	79.567	61.611
4	Less: Impact of Unschedule Interchange Energy / PoC Loss	20.639	13.624
5	Total Units sold	562.852	438.188

2.0 FUTURE OUTLOOK

The Indian power sector is currently reeling under an odd situation. The Sector is faced with various challenges on almost every front ranging from availability of fuel, delayed environmental clearances albeit with stringent conditions, funding slowdown and continued deteriorating financial performance of Discoms across the country. On one hand, we have soaring unfulfilled demand for energy; while on the other hand, we have power generating plants kept idle because of lack of demand generated by the state owned utility companies. The mounting debts of the state sector distribution utilities have resulted in the deterioration of the financial health. As a result, instead of buying adequate power, Discoms have resorted to load shedding;. The merchant tariff of power, both at the short term bilateral power sales agreement and at the power exchanges, has dropped down to considerably low level.

In spite of the record breaking capacity additions in Eleventh Five Year Plan and first year of Twelfth Five Year Plan i.e. 2012-13, the sentiments in the power sector are not very positive. The Government of India has set the capacity addition target of 88,537 MW during 12th Five Year Plan (2012-17). The recent trends are showing that the demand both at base and peak is not rising as was anticipated, because of the reduced industrial activity, while the generation continues to rise with newer capacity additions.

Though there are number of issues confronting the sector, yet there have been various initiatives taken by the Central/State Governments and its agencies in order to expedite the power potential of the country and to provide an environment that can increase the efficacy of the existing resources.

The Central Government's strong focus on increasing electricity rates and reducing cross-subsidies has contributed to the positive trend of tariff revision in the sector. In addition, there was ruling by the Appellate Tribunal for Electricity in November, 2011 that the SERCs must initiate suo moto tariff revision in case the discoms fail to submit ARRs on time. During 2012-13, almost all the states undertook tariff revisions (in the range of 1.5-37 per cent) and the trend is likely to continue in 2013-14. Fourteen states have already incased tariffs for the year and others are expected to follow suit

On the distribution front, the Government has approved the restructuring package. This bailout package is aimed to reduce the debt service burden of the state utilities. However the successful implementation of this bailout package will largely depend upon timely performance of milestones linked to this bailout package. Under this scheme, 50 per cent of the short-term liabilities of discoms would be converted into bonds and issued to them, while the remaining 50 per cent would be rescheduled.

Priority has been given to ensure the connection of Southern Grid to the NEW grid by January 2014. Once completed, this interconnected national grid will facilitate power transmission from hydro power potential rich Northern Region to cater the peak load requirements of power deficit Southern Region. It is imperative to note that according to CEA during 2013-14 India will observe energy deficit of 6.7% and peak deficit of more than 3000 MW. Owing to the grid disturbances last year several regulations has also been passed recently for tightening the frequency band to 49.95 – 50.05 Hz which will further result in increasing the volume of short term bilateral transactions among generating and distribution utilities.

In spite of the recent steps taken by the Government, the power sector is likely to see a dull period for the next couple of years. On the generation front bulk of generating capacity already under construction is expected to be commissioned in the next 2-3 years, which would further increase the supply position. However the Government's initiative to improve the financial strength of Discoms may take some time to increase their ability to purchase adequate power and maintain adequate power supply to its end consumer. For a sector constrained by multiple challenges, a lot is expected from the Government for its revival and to ensure that Power Sector plays its role in the efforts to bring back the GDP growth rate in excess of 8 percent. The largest grid failure in the world in end of July 2012had affected 620 million people (around 9% of world population) across 21 states. It had shown that a lot needs to be done for improvement and stabilization of power infrastructure in the country.

The Eighteenth Electric Power Survey (EPS) projects an energy requirement of 1,354.9 BUs and a peak load of about 200 GW for the Twelfth Plan period.

It is estimated that the peak demand supply gap would further increase post FY 2015 on account of decreased capacity addition and fuel cost escalation. Accordingly the merchant tariff is expected to see the increasing trend post FY 2015 primarily due to improvement in the liquidity profile of the Discoms post tariff hike, debt restructuring package and higher fuel prices and high demand supply gap.

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

3.0 DIVIDEND

Your Directors do not propose any dividends to be declared during the financial year under review.

4.0 PUBLIC DEPOSITS

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

5.0 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.

6.0 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.

7.0 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

7.1 INTERNAL CONTROL SYSTEMS

The Company has proper and adequate internal control systems in place for all its business activities to ensure compliance with policies, procedures, applicable Acts and Rules and best practices in the industry. All transactions are properly documented, authorized, recorded and reported correctly. The Company has well defined Management Reports on key performance indicators. The systems are reviewed continuously and its improvement and effectiveness is enhanced based on the reports from various fields. The Audit Committee reviews the adequacy of Internal Control Systems. The Company's Internal Control Systems are supplemented by Internal Audit covering all financial and operating functions.

7.2 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. The function prepares annual audit plans based on risk management and conducts extensive reviews covering financial, operational and compliance controls and risk mitigation. Internal audit plans cover matters identified in risk management assessments as well as issues highlighted by the Board, the Audit Committee and senior management. The areas requiring specialized knowledge are reviewed in partnership with external experts.

Internal Audit is conducted across all locations and of all functions by firms of Chartered Accountants, who verify and report on the functioning and effectiveness of internal controls. The Internal Audit reports the progress in implementation of recommendations contained in such reports. Internal audit reports are submitted along with the Management's response to the Audit Committee. The Audit Committee of the

Board, monitors performance of Internal Audit on time-to-time basis through review of the internal audit plans, audit findings & swiftness of issue resolution through follow ups.

8.0 DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Dr. Kamal Gupta and Mr. Bidyut Shome, 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 reappointments/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. Tor Inge Stokke was appointed as Alternate Director to Mr. Erik Knive with effect from 17th December, 2012. Consequent upon the return of Mr. Erik Knive to the Board, Mr. Tor Inge Stokke vacates the officer as Alternate Director on 26th June, 2013. The Board of Directors wishes to place on record their appreciation towards the contribution made by Mr. Tor Inge Stokke during his tenure as Alternate Director to Mr. Erik Knive.

9.0 AUDIT COMMITTEE

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

As on date, the Audit Committee comprising the following members : Mr. Ravi Jhunjhunwala, Dr.Kamal Gupta and Mr. Erik Knive. The proceedings of the Committee have been in accordance with the provisions of the Companies Act, 1956.

10.0 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 loss of the Company for the financial year 2012-2013.

iii) that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of The Company's Act, 1956, 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.

11.0 AUDITORS

11.1 STATUTORY AUDITORS

M/s. S.R. Batliboi & Co. LLP, 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 M/s.S.R. Batliboi & Co. LLP, 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.LLP, Chartered Accountants, as Statutory Auditors of the Company.

11.2 COST AUDITORS

Pursuant to Section 233B(2) of the Companies Act, 1956, in terms of the Central Government's approval, the Board of Directors, on the recommendation of the Audit Committee, has appointed M/s.K.G. Goyal & Co., Cost Accountants, as the Cost Auditor of the Company for the year. M/s.K. G. Goyal & Co., has confirmed that their appointment is within the limits of the Section 224(1B) of the Companies Act, 1956 and have certified that they are free from any disqualifications specified under Section 233B(5) read with Section 224 sub section (3) or sub section (4) of Section 226 of the Companies Act, 1956.

AUDITORS' REMARKS

The Auditors' Report read along with Notes to the Accounts is self-explanatory and requires no further comments from the Board.

12.0 HUMAN RESOURCE DEVELOPMENT

The Company believes that all commercial activities should be infused with compassionate action to make the work place better and harmonious. Our focus has always been on creating an encouraging and engaging environment for our employees. Our employee partnership ethos reflects the Company's long-standing business principles and drives the company's overall performance. While we have continued to equip employees with the necessary skills and attitude to deliver on their current job responsibilities, the prime focus has been to identify, assess, groom and build leadership potential for future.

The company has a comprehensive HR policy to address the various needs and aspiration of our people. Many of our activities are focussed on multi-skill training, performance improvement, time management, cross-fuctional team coordination, etc.

In the last week of October, 2013, Global CDM Workshop was conducted. This workshop was attended by executives of company, its holding company Malana Power Company Ltd and representative from SN Power, Philippines and Chile.We also have a robust grievance redressal mechanisam in place for our people. We make sure we give a patient hearing to the issues faced by the employees and follow strict protocols for their resolution.

13.0 ENVIRONMENT, HEALTH & SAFETY

The Company has excellent compliance records of all statutory requirements applicable to its scope of activities under Health, Safety and Environment management. Your Company is committed to adopt best international EHS practices in its operating plant and has voluntarily decided to adopt ISO14001 (International standard on environment management) and OHSAS18001 (International standard on management of occupational safety and health) for managing its EHS Aspects. In this connection an expert agency has visited the plant area and interacted with the site management to frame the road map for certification. Accordingly, site management has developed and implemented ISO/ OHSAS management system in consultation with of expert agency. The plant is now ready for certification audit by the certification agency (KVQA) on 30th and 31st August 2013.

The Company carries out following monitoring activities regularly and as per the applicable statutory requirements:

- Environment monitoring (air, water, noise, etc.) at work site and nearby villages
- Silt analysis from Inlet of Head Regulator Gate, Outfall of Desilting chamber & TRT water.

The restoration of Muck Dumping sites of Panduropa & Bhujdhar and colony area at Panduropa has been completed and is being prepared for handing over to the State Forest Department after due process. Restoration works at Khanool muck dumping area is near completion. The Company is utilizing local shrubs for restoration of dumping site in consultation with State Forest Department. The Company regularly distributes plant saplings to local villagers for plantation.

To enhance Awareness among local community, the Company celebrated World Environment Day on 5th June, 2013, with active participation of the teachers and students from Govt. Higher Secondary School, Prini.

The disposal of hazardous waste is being done as per approved standard/Norms of Pollution Control Board.

The Company maintains a primary health center at Prini with in clinical diagnostic laboratory, well experienced medical officer and other paramedical staff. The employees are adequately covered under various insurance policies against risk of health and life disasters. Annual health check-ups are carried out for all the employees.

The Company is also committed to provide a Incident and injury free workplace to its employees and workers all across its unit. The Safety and security of employees is one of the prime concerns of the Management. Consistent efforts have made by the Company to improve safety standards in the Company by taking measures like:

- Intensive safety drives and drills in work area
- Conducting safety audit in plant Area.
- Conducting safety workshops & first aid trainings regularly.
- Conducting Task force meetings regularly to review HSE preparation & implementation of JSA/ CSA.
- Testing preparedness of Emergency Response Plan
- Conducting Safety Tool box talks regularly by respective team leaders and Safety personnel at site and transmission line.
- Implementation of access control at strategic locations (Main Gate, Power House/ Switchyard, Reservoir, Duhangan tunnel portal, Adit-3 portal & Allain barrage). Access control registers are being maintained at all locations. Security guards at tunnel portals have especially been instructed to ensure that all tunnel entrants are equipped with necessary PPE's.
- Implementation of Permit to Work procedure and Lock out/Tag out procedure.

ADHPL has taken the membership of British Safety Council. This is one step further to embrace international best practices into day-to-day operations. With this, your Company has entered the elite club of multinational companies, who are the members of British Safety Council and are known for their commitment towards HSE.

A road safety week was celebrated at ADHPL and Transmission Line between 1st and 7th January 2013, in which various training programs and events were organized. The winner was conferred the "Driver of the Year Award 2012-13" which included a cash prize and a certificate of Merit.

A training programme on Avalanche personal protection and rescue operation was conducted by Ex-SASE expert Dr. D.K. Parashar on April 3, 2013 at IR and Allian barrage site of ADHPL. The theoretical training was followed by practical demonstration of Avalanche personal protection and rescue operation tactics. A lesson on drowning rescue was also imparted by the expert on this occasion.

The company has organized two and half days "ISO 14001 and OHSAS 18001 internal Auditors Training Program" from 26th to 28th August at ADHPL Site. The training was imparted to 10 participants of ADHPL by the competent trainer from certification agency KVQA.

An Emergency Drill on "flash flood" Scenario was organized on 31st July 2013. The drill was conducted to check the effectiveness of the available communication system and subsequent steps outlined in the "emergency response plan" to prevent or minimize the impact of such occurrence. Drill involved participation from local administration, Government fire Department, Gram Pradhans and the employees of ADHPL. The communication was also established with District administration, SN Power Delhi and the ADHPL Corporate office, Noida.

14.0 CORPORATE SOCIAL RESPONSIBILITY

The Company believes that, in its areas of operations, its activities should generate economic benefits and opportunities for an enhanced quality of life for all the stakeholders and the society at large.

As a constructive partner in the communities in which it operates, The 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. The Company also contributes to women empowerment, community development and healthcare. The Company is :

- Running a primary health center at Prini, having well experienced medical officer and other paramedical staff
- Organizing a universal vaccination program for children on 08th of every month at the health center
- Helping the district administration in the Pulse Polio campaign held on 24 Feb 2013 and 24 Mar 2013 with active participation of Company's paramedic staff .

Various events like : Republic Day, Independence Day, New Year, Vishwakarma Jayanti, Dussehra, Diwali, Janmashtami, Lohari, etc. are celebrated in the campus.

To make efforts sustainable, the Company has been sponsoring celebration of annual functions in the nearby Government schools; contributing for local fairs/festivals; providing appliances to handicapped persons for their day-to-day needs; conducting blood donation camps and Pulse Polio Program. The Company has also provided material help to victims of fire in Vashistha Village.

15.0 CORPORATE GOVERNANCE

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

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

16.0 ACKNOWLEDGEMENT

The Directors' place on record their sincere appreciation for the co-operation and support received from the Ministry of Power, Government of Himachal Pradesh, other government agencies, lenders, commercial banks, financial institutions, PTC India Limited and our valued customers, who have continued their valuable support and encouragement during the year under review.

The Directors' also acknowledge and appreciate the commitment displayed by all executives, officers and staff at all levels of the Company.

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

For and on Behalf of the Board of Directors

Ravi Jhunjhunwala
Chairman
DIN : 00060972

Place : Noida
Date : 26th August, 2013

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 -
   - CFL lamps are being replaced by LEDs in phased manner
2. TECHNOLOGY ABSORPTION -
   - The Company has engaged a consultant for providing weather and avalanche forecast to the Project during Snow season from mid Dec' 2012 to mid Apr' 2013.
3. FOREIGN EXCHANGE EARNINGS AND OUTGO

(in ₹ million)

		2012-13	2011-12
I	Foreign Exchange Outgo		
	Legal and Professional charges	**3.658**	53.732
	Traveling	**0.189**	1.729
	Financial charges	**0.547**	0.515
	CER Expenses	**4.949**	-
	Others	**0.041**	-
	Total	**9.384**	55.976
II	Foreign Exchange Earnings		
	Others (Sale of Certified Emission Rights)	**277.178**	Nil
	Total	**277.178**	Nil

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 2013 are given hereunder:

I. Persons employed for the full year

Name	Designation	Remuneration (Rs. in Millions)	Qualification	Experience	Age	Date of Commencement of Employment
NIL						

INDEPENDENT AUDITOR'S REPORT

To the Members of AD Hydro Power Limited

Report on the Financial Statements

We have audited the accompanying financial statements of AD Hydro Power Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

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

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

(b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
   (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
   (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

per Manoj Gupta
Partner
Membership Number: 83906

Place of Signature: Gurgaon
Date: August 26, 2013

Annexure referred to in paragraph 1 under "Report on Other Legal and Regulatory Requirements" of our report of even date

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

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) There was no 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) 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 clause 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(b) The Company has 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 ₹ 52,196.57 lacs and the year-end balance of loan taken from such Company was ₹ 46,380.00 lacs (excluding interest accrued on the loan amounting to ₹ 7,461.13 lacs).

(c) 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.

(d) As informed to us and as per the terms of the Subordination Loan agreement with the lenders, the loan taken and interest thereon is re-payable only once all obligations to outside lenders have been paid and discharged in full. Accordingly, the lending company 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 and scrap. 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 value of ₹ five lacs 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) The Company is regular in depositing with appropriate authorities 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 applicable to the Company. The provisions relating to employees' state insurance are not applicable to the Company.

(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 undisputed 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, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of Statute	Nature of Dues	Amount (₹ in lacs)	Period to which the amount relates	Forum where dispute is pending
The Building & Other Construction Workers Welfare Cess Act, 1996	Demand for Building & Other Construction Workers Welfare Cess	1,300.33	January 1, 2005 to July 31, 2012	High Court of Himachal Pradesh

(x) The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth 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, *the Company has delayed in repayment of dues to a financial institution. The Company has delayed in payment of principal and interest on loan during the year by 2 days, resulting in levy of penal interest of an aggregate amount of ₹ 0.54 lacs by the said financial institution, the details of which are as under:*

Nature of dues	Amount (₹ in Lacs)	Due date	Actual date of payment
Principal repayment	439.97	April 15, 2012	April 17, 2012
Interest	746.77	April 15, 2012	April 17, 2012

The Company has not defaulted in repayment of dues to banks. There are no dues outstanding to debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and 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.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any money through public issue during the year.

(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. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E

per Manoj Gupta
Partner
Membership Number: 83906

Place of Signature: Gurgaon
Date: August 26, 2013

BALANCE SHEET AS AT 31 MARCH, 2013

Particulars	Note No.	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
I. EQUITY AND LIABILITIES			
1. Shareholders' funds			
(a) Share capital	3	**56,015.28**	56,015.28
(b) Reserves and surplus	4	**(19,426.51)**	(16,842.07)
		36,588.77	39,173.21
2. Non-current liabilities			
(a) Long-term borrowings	5	**129,560.67**	129,753.36
(b) Other long term liabilities	6	**7,461.13**	7,461.13
(c) Long-term provisions	7	**96.90**	84.53
		137,118.70	137,299.02
3. Current liabilities			
(a) Short-term borrowings	8	**-**	5,800.00
(b) Trade payables	9	**960.29**	1,825.59
(c) Other current liabilities	9	**11,919.53**	8,749.99
(d) Short-term provisions	7	**51.39**	112.30
		12,931.21	16,487.88
TOTAL		**186,638.68**	192,960.11
II. ASSETS			
1. Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	**177,996.88**	186,897.55
(ii) Capital work-in-progress	11	**130.72**	289.57
(b) Long-term loans and advances	12	**492.47**	181.70
(c) Other non-current assets	13	**42.63**	71.71
		178,662.70	187,440.53
2. Current assets			
(a) Inventories	14	**1,376.08**	1,348.74
(b) Trade receivables	15	**2,131.87**	1,258.30
(c) Cash and bank balances	16	**1,418.73**	436.70
(d) Short-term loans and advances	12	**846.44**	265.88
(e) Other current assets	17	**2,202.86**	2,209.96
		7,975.98	5,519.58
TOTAL		**186,638.68**	192,960.11
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : August 26, 2013

For and on behalf of the Board of Directors of AD Hydro Power Limited

Ravi Jhunjhunwala
Director
DIN: 00060972

Erik Knive
Director
DIN: 05213708

O. P. Ajmera
Chief Executive Officer

Narayan Lodha
Company Secretary
M.No.: 32746

Place : Noida
Date : August 26, 2013

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	Note No.	Year ended 31 March 2013 (₹ in lacs)	Year ended 31 March 2012 (₹ in lacs)
I. Income			
a Revenue from operations (net)	18	**23,134.77**	18,739.15
b Other Income	19	**2,940.05**	47.23
Total Income		**26,074.82**	18,786.38
II. Expenses			
Bulk power transmission charges		**2,447.13**	2,649.66
Open Access Charges		**271.13**	7.10
Employee benefits expense	20	**1,294.97**	1,294.94
Other expenses	21	**2,452.84**	2,170.69
Depreciation expense	22	**11,697.30**	9,524.06
Finance costs	23	**10,495.89**	8,716.66
Total expenses		**28,659.26**	24,363.11
III. Loss before tax		**(2,584.44)**	(5,576.73)
IV. Net loss carried to balance sheet		**(2,584.44)**	(5,576.73)
V. Earnings per share (nominal value of share ₹ 10)			
Basic and diluted	24	**(0.46)**	(1.00)
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

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

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : August 26, 2013

For and on behalf of the Board of Directors of AD Hydro Power Limited

Ravi Jhunjhunwala
Director
DIN: 00060972

Erik Knive
Director
DIN: 05213708

O. P. Ajmera
Chief Executive Officer

Narayan Lodha
Company Secretary
M.No.: 32746

Place : Noida
Date : August 26, 2013

CASH FLOW STATEMENT AS AT 31 MARCH, 2013

Particulars	For the year ended March 31, 2013 ₹ In lacs	For the year ended March 31, 2012 ₹ In lacs
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	**(2,584.44)**	(5,576.73)
Adjustments for :		
Depreciation	**11,697.30**	9,524.06
Provision for doubtful advances	**-**	24.40
Profit on sale of assets	**(5.50)**	(11.77)
Interest expense	**10,283.83**	8,671.96
Interest income	**(103.06)**	(35.42)
Operating profit before working capital changes	**19,288.13**	12,596.50
Movement in working capital :		
- (Increase)/decrease in trade receivables	**(873.57)**	(715.56)
- (Increase)/decrease in loans and advances	**(465.18)**	(104.53)
- (Increase)/decrease in inventories	**(27.34)**	(150.73)
- (Decrease)/increase in trade payable and current liabilities	**(886.89)**	(1,891.09)
- (Decrease)/increase in provision	**(48.53)**	1.09
Cash generated from operations	**16,986.62**	9,735.68
Direct tax (paid) /refund	**(52.46)**	(40.16)
Net cash from operating activities (A)	**16,934.16**	9,695.52
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work in progress & capital advances)	**(2,601.09)**	(6,421.87)
Inter Corporate Deposit Given	**(328.18)**	-
Fixed deposit redeemed	**29.08**	5.00
Proceeds from sale of fixed assets (including project equipment)	**14.84**	49.36
Interest received	**106.92**	26.62
Net cash from / (used in) investing activities (B)	**(2,778.42)**	(6,340.89)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment of) long -term borrowings	**(7,052.33)**	(5,909.21)
Proceeds from long -term borrowings	**10,000.00**	2,750.00
Proceeds of Long term subordination debt from holding company	**0.00**	2,678.02
Proceeds from / (repayment of) Short term Loan from holding company	**(5,800.00)**	5,816.57
Interest paid	**(10,321.39)**	(8,645.73)
Net cash flow from / (used in) financing activities (C)	**(13,173.72)**	(3,310.35)
Net Increase in cash and cash equivalents (A+B+C)	**982.02**	44.28
Cash and cash equivalents at the beginning of the year	**436.70**	392.42
Cash and cash equivalents at the end of the year	**1,418.72**	436.70
Components of cash and cash equivalents		
Cash on hand	**1.84**	2.45
With banks - on current account	**1,416.89**	434.25
TOTAL CASH & CASH EQUIVALENTS (REFER NOTE 16)	**1,418.72**	436.70

The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" of the Companies (Accounting Standard) Rules 2006.

As per our report of even date

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

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : August 26, 2013

For and on behalf of the Board of Directors of AD Hydro Power Limited

Ravi Jhunjhunwala
Director
DIN: 00060972

Erik Knive
Director
DIN: 05213708

O. P. Ajmera
Chief Executive Officer

Narayan Lodha
Company Secretary
M.No.: 32746

Place : Noida
Date : August 26, 2013

SCHEDULES

1. Nature of Operations

AD Hydro Power Limited (hereinafter referred to as 'the Company') is engaged in the generation of hydro electric power. The Company has set up 192 MW hydro electric power generation project, out of which, part of the project (Allain side) has started commercial production in 2010-11 and balance portion of the project on Duhangan side has started commercial production in 2011-12.

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 29, 2010 with the option to avail a further extension for a maximum period of twenty years after renegotiation of terms and conditions.

2. Basis of preparation of financial statements

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

2.1 Summary of Significant Accounting Policies

(a) Use of estimates

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

(b) Tangible Fixed Assets

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

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

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

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

(c) Impairment of assets

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

(d) Depreciation

(i) Depreciation on Buildings 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) Depreciation on Project equipments (net of their expected realizable value at the completion of the project) has been provided as per straight line method over the period upto the date of completion of the project.

(iii) Depreciation on the assets of generating unit and other Plant & Machinery, 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

(iv) Depreciation on Roads (included in buildings) constructed on land owned by the Company is provided on straight line method at the rates based on their estimated useful life of 10 years which is higher than the rates prescribed in Schedule XIV of the Companies Act, 1956, as under:

	Rate (SLM)	Schedule XIV Rate (SLM)
Road	10.00%	3.34%

(v) Depreciation on fixed assets other than those covered under (i) to (iv) above 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) Borrowing Costs

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

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

(f) Leases

Where the Company is the lessee

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

(g) Inventories

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

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

(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. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Electricity

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

Interest

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

Sale of Scrap

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

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

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

(i) Foreign currency translation

Foreign currency transactions and balances

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

(iii) Exchange Differences

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

(j) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund and superannuation scheme are a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the provident fund/trust.

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

(iii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the year-end.

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

(v) Actuarial gains/losses are immediately taken to statement of profit and loss in the period in which they incur and are not deferred.

(vi) The Company presents its gratuity and leave as current and non-current based on the actuarial valuation.

(k) Income taxes

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

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

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

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

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

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

(l) Earnings Per Share

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

(m) Provisions

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources 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 management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

(n) 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.

(o) Contingent Liability

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

3. SHARE CAPITAL

Particulars	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
Authorized Shares		
700,000,000 (previous year 700,000,000) equity shares of ₹ 10 each	**70,000.00**	70,000.00
Issued, Subscribed and fully paid-up shares		
560,152,841 (previous year 560,152,841) equity shares of ₹ 10 each fully paid	**56,015.28**	56,015.28

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

	As at 31 March 2013		As at 31 March 2012	
	No. of shares	Amount (₹ in lacs)	No. of shares	Amount (₹ in lacs)
Shares outstanding at the beginning of the year	**560,152,841**	**56,015.28**	560,152,841	56,015.28
Shares outstanding at the end of the year	**560,152,841**	**56,015.28**	560,152,841	56,015.28

(b) Terms/rights attached to equity shares

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

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

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

	As at 31 March 2013		As at 31 March 2012	
	No. of shares	Amount (₹ in lacs)	No. of shares	Amount (₹ in lacs)
Malana Power Company Limited, the holding company, alongwith its nominees	**492,955,640**	**49,295.56**	492,955,640	49,295.56

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

Equity shares of ₹ 10 each fully paid up	**As at 31 March 2013**		As at 31 March 2012	
Name of the Share Holders	**No. of shares**	**% Holding**	No. of shares	% Holding
Malana Power Company Limited	**492,955,640**	**88%**	492,955,640	88%
International Finance Corporation, Washington	**67,197,201**	**12%**	67,197,201	12%

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

4. RESERVES & SURPLUS

	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	**(16,842.07)**	(11,265.34)
Add loss for the year	**(2,584.44)**	(5,576.73)
Net deficit in the statement of profit and loss	**(19,426.51)**	(16,842.07)
Total reserves and surplus	**(19,426.51)**	(16,842.07)

5. LONG TERM BORROWINGS

	Non current portion		Current maturities	
	As at 31 March 2013 (₹ in lacs)	**As at 31 March 2012 (₹ in lacs)**	**As at 31 March 2013 (₹ in lacs)**	**As at 31 March 2012 (₹ in lacs)**
Term loans				
From banks (secured)	**49,591.78**	55,266.14	**5,675.00**	5,225.00
From financial institution (secured)	**33,588.89**	28,107.22	**4,518.33**	1,827.33
Other loan and advances				
Loan and advances from related party - holding company (unsecured) (refer Note 34)	**46,380.00**	46,380.00	**-**	-
TOTAL	**129,560.67**	129,753.36	**10,193.33**	7,052.33
The above amount includes				
Secured Borrowings	**83,180.67**	83,373.36	**10,193.33**	7,052.33
Unsecured Borrowings	**46,380.00**	46,380.00	**-**	-
Amount disclosed under the head "other current liabilities" - (Note 9)	**-**	-	**(10,193.33)**	(7,052.33)
TOTAL	**129,560.67**	129,753.36	**-**	-

The Company has taken Indian Rupee term loans from various banks amounting to ₹ 50,391.78 lacs (previous year ₹ 55,116.78.00 lacs) having interest rates ranging from 8.00% to 14.75% per annum (floating) (previous year 8.00% to 14.75% per annum). These loans are repayable in 40 quarterly principal payments based on mortgage style amortization and the repayment instalment starting from October 1, 2010.

The Company has also taken Indian Rupee term loans from a bank amounting to ₹ 4,875.00 lacs (previous year ₹ 5,375.00 lacs) having interest rate of 11.50% per annum (floating) (previous year 13.50% per annum). This loan is repayable in 46 equal Quarterly principal payments of ₹ 125 Lacs from October 1, 2011.

Term loan from a financial institution (represents loan from IFC, Washington, a minority shareholder) of ₹ 9,505.18 lacs (previous year ₹ 10,356.47 lacs) was taken during the financial year 2007–08 and carries interest @ 7.51% to 10.18% p.a. The loan is repayable in 40 quarterly installments based on mortgage style amortization starting from 15th October 2010. Further term loan from IFC Washington of ₹ 18,602.04 lacs (previous year ₹ 19,578.08 lacs) was taken during the years 2009–10 to 2011-12 and carries interest @ 10.19% to 11.50% p.a. The loan is repayable in 46 quarterly installments based on mortgage style amortization starting from 15th October 2011.

The above term loans from banks and financial institution 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 and has also pledged its share holding in the Company.

The Company has also taken loan of ₹ 10,000 lacs (previous year Nil) from another financial institution during the current year and carries interest @ 13.02% per annum (floating). The loan is repayable in 12 equal structured quarterly principal payment of ₹ 833.33 lacs each starting from 31st Aug 2013. The lender has a put option to call for full repayment at the end of 12 months. Further, the lender and the Company have a call and put option respectively at the end of 24 months from the first disbursement to recall/repay the entire loan. The loan is secured by subservient charge by way of hypothecation on the entire current assets inculding inventories, stores and spares, receivables, loans and advances and movable assets including but not limited to money receivables, investments, intangibles present and future, of the Company.

Term loan from holding company is unsecured and is given by the holding company as per the terms of the Subordinated Loan Agreement with lenders. The loan granted and interest thereon is repayable only once all obligations to the outside lenders have been paid and discharged in full. The loan carries no interest (also refer Note 34 of the financial statements).

6. OTHER LONG TERM LIABILITIES

	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
Interest accrued but not due on loan from holding company (refer note 34)	**7,461.13**	7,461.13
TOTAL	**7,461.13**	7,461.13

7. PROVISIONS

	Long term		Short term	
	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
Provision for employee benefits				
Provision for gratuity	**-**	1.71	**9.96**	18.34
Provision for leave benefits	**64.93**	64.43	**5.91**	14.39
Provision for continuity linked bonus	**31.97**	18.39	**35.52**	79.57
TOTAL	**96.90**	84.53	**51.39**	112.30

8. SHORT TERMS BORROWINGS

	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
Loans & advances from related parties		
- From Malana Power Company Limited (holding Company) (unsecured) (refer Note 34)	**-**	5,800.00
TOTAL	**-**	5,800.00

9. TRADE PAYABLE AND OTHER CURRENT LIABILITIES

	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
Trade payable	**960.29**	1,825.59
Other current liabilities		
Capital creditors	**1,026.18**	937.88
Current maturities of long term borrowings	**10,193.33**	7,052.33
Deposit from contractors and others	**8.12**	12.90
Due to related party	**2.59**	16.57
Interest accrued but not due on loan from financial institution	**586.11**	623.67
Statutory dues payable	**103.20**	106.64
TOTAL	**11,919.53**	8,749.99

10. TANGIBLE ASSETS

(₹ in Lacs)

Particulars	Tangible Assets											
	Freehold land (also refer note 39)	Freehold Building	Civil Work	Transmission Line	Plant and Machinery	Project equipment	Electrical installation	Office equipments	Furniture and Fixtures	Computers	Vehicles	Total (Tangible Assets)
At Cost												
As at 1 April 2011	2,993.39	13,213.31	59,891.94	38,992.42	48,547.00	38.23	327.50	80.82	257.05	112.71	169.66	164,624.03
Additions	-	13,866.15	22,431.92	1,420.03	153.87	36.42	2.50	1.03	4.49	3.50	18.18	37,938.09
Disposals	-	-	-	-	-	-	-	7.41	1.40	11.61	20.40	40.82
As at 31 March 2012	2,993.39	27,079.46	82,323.86	40,412.45	48,700.87	74.65	330.00	74.44	260.14	104.60	167.44	202,521.30
Additions	39.83	-	808.37	1,747.81	175.31	2.00	10.10	-	2.54	8.36	8.42	2,802.74
Disposals	-	-	-	-	-	-	-	-	-	-	42.12	42.12
As at 31 March 2013	**3,033.22**	**27,079.46**	**83,132.23**	**42,160.26**	**48,876.18**	**76.65**	**340.10**	**74.44**	**262.68**	**112.96**	**133.75**	**205,281.92**
Depreciation												
As at 1 April 2011	-	713.66	2,131.19	1,098.54	1,725.06	8.89	71.57	40.96	122.94	98.56	122.08	6,133.44
Charge for the year	-	1,374.81	3,314.31	2,186.78	2,575.18	14.33	17.65	5.44	18.06	6.02	11.48	9,524.06
Disposals	-	-	-	-	-	-	-	4.47	1.15	10.96	17.17	33.75
As at 31 March 2012	-	2,088.47	5,445.50	3,285.32	4,300.24	23.22	89.22	41.93	139.85	93.62	116.39	15,623.75
Charge for the year	-	2,465.91	4,376.23	2,188.12	2,580.86	22.72	17.81	4.49	19.34	4.74	17.07	11,697.30
Disposals	-	-	-	-	-	-	-	-	-	-	36.01	36.01
As at 31 March 2013		**4,554.38**	**9,821.73**	**5,473.44**	**6,881.10**	**45.94**	**107.02**	**46.43**	**159.19**	**98.35**	**97.45**	**27,285.04**
Net Block												-
As at 31 March 2013	**3,033.22**	**22,525.08**	**73,310.50**	**36,686.81**	**41,995.08**	**30.71**	**233.07**	**28.01**	**103.49**	**14.61**	**36.29**	**177,996.88**
As at 31 March 2012	2,993.39	24,990.99	76,878.36	37,127.13	44,400.63	51.43	240.78	32.51	120.29	10.98	51.06	186,897.55

Notes :

1. Addition include expenditure during the construction period amounting to ₹ Nil (previous year ₹ 15,056.65 lacs) capitalised under following heads:

	Amount (₹ lacs)	Amount (₹ lacs)
Road & Building	-	5,821.00
Civil Works	-	96.48
Plant & Machinery	-	9,139.17
Total	**-**	**15,056.65**

2. Depreciation amounting to ₹ Nil (previous year ₹ 851.40 lacs) has been transferred to expenditure during construction period.
3. Gross block of transmission line includes payment for 'Right to use' amounting to ₹ 5,253.98 lacs. Right to use' is a irrevocable perpetual right of use of land, but the ownership of land does not vest with the Company.
4. The depreciation charged during the year includes ₹ Nil lacs (previous year ₹ 77.33 lacs) pertaining to earlier years.
5. Land includes ₹ 3,020.53 lacs paid for 12.58 hectares land, out of which mutation for execution of 9.73 hectares in favour of Company has been completed. Apart from notified land, 2.80 hectares land has been acquired directly from the villagers and the mutation is in progress.

11. CAPITAL WORK IN PROGRESS

(₹ in Lacs)

	As at 31 March 2012	Additions / Adjustments during the year	Capitalised during the year	As at 31 March 2013
Civil				
Head race tunnel	-	808.37	808.37	**-**
Plant & Machinery				
Switch Yard- Mechanical	-	46.11	46.11	**-**
Turbine & Generators	-	102.88	102.88	**-**
Transmission Line	-	1,747.81	1,747.81	**-**
Assets under capitalisation	5.40	111.09	-	**116.49**
Capital stocks	284.17	(269.95)	-	**14.22**
- includes stocks lying with third parties ₹ 14.22 lacs (Previous year ₹ 284.17 lacs)				
TOTAL	289.57	2,546.31	2,705.17	**130.72**

12. LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	Long-term		Short-term	
	As at 31 March 2013 (₹ in lacs)	**As at 31 March 2012 (₹ in lacs)**	**As at 31 March 2013 (₹ in lacs)**	**As at 31 March 2012 (₹ in lacs)**
Capital advances	**-**	81.44	**126.95**	-
Advance tax, tax deducted at source (net of provision for tax ₹ 14.95 lacs)	**102.77**	50.32	**-**	-
Loans to employees	**36.39**	24.24	**7.39**	14.21
Security deposits (unsecured, considered good)	**25.13**	25.70	**-**	-
Advances recoverable in cash or in kind for value to be received	**-**	-	**712.10**	251.67
Inter corporate deposit with financial institution	**328.18**	-	**-**	-
Advances recoverable in cash or in kind for value to be received (unsecured, considered doubtful)	**-**	-	**24.40**	24.40
Less: provision for doubtful advances	**-**	-	**(24.40)**	(24.40)
TOTAL	**492.47**	181.70	**846.44**	265.88

13. OTHER NON CURRENT ASSETS

	As at 31 March 2013 (₹ in lacs)	**As at 31 March 2012 (₹ in lacs)**
Balance with Banks:		
Deposits with original maturity period of more than 12 months	**42.63**	71.71
Fixed deposit of ₹ 2.00 lacs (previous year ₹ 2.00 lacs) pledged with the H.P. Government Sales Tax Department		
TOTAL	**42.63**	71.71

14. INVENTORIES

(valued at lower of cost and net realisable value)

	As at 31 March 2013 (₹ in lacs)	**As at 31 March 2012 (₹ in lacs)**
Stores and spares [including stock lying with third parties ₹ 14.22 lacs (previous year ₹ 33.94 lacs)]	**1,348.67**	1,317.75
Scrap	**27.41**	30.99
TOTAL	**1,376.08**	1,348.74

15. TRADE RECEIVABLES

(Unsecured, considered good unless stated otherwise)

	As at 31 March 2013 (₹ in lacs)	**As at 31 March 2012 (₹ in lacs)**
Outstanding for a period exceeding six months from the date they are due for payment (refer Note 38(a))	**316.68**	316.68
Other receivables (refer Note 37)	**1,815.19**	941.62
TOTAL	**2,131.87**	1,258.30

16. CASH AND BANK BALANCES

	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
Cash and cash equivalents		
Balances with banks in:		
- Current accounts	**1,416.89**	434.25
Cash on hand	**1.84**	2.45
	1,418.73	436.70
Other bank balances		
Margin money (held as security)	**40.63**	69.71
Deposits with original maturity for more than 12 months	**2.00**	2.00
	42.63	71.71
Less: Amount disclosed under non current assets (note 13)	**(42.63)**	(71.71)
TOTAL	**1,418.73**	436.70

17. OTHER CURRENT ASSETS

	As at 31 March 2013 (₹ in lacs)	As at 31 March 2012 (₹ in lacs)
Interest accrued on banks deposits	**3.54**	7.41
Fixed assets (project equipment) held for sale (at net book value or estimated net realisable value, whichever is lower)	**2,199.32**	2,202.55
TOTAL	**2,202.86**	2,209.96

18. REVENUE FROM OPERATIONS

	For the year ended 31 March 2013 (₹ in lacs)	For the year ended 31 March 2012 (₹ in lacs)
Revenue from Operations		
Sale of Power		
Revenue from Operations (Gross)	**20,641.42**	16,885.19
Less : Discount on prompt payments	**(352.89)**	(272.13)
Less : Handling charges (NRLDC charges)/PTC professional charges	**(57.72)**	(48.16)
Less : Unscheduled interchange (charges) / credit	**116.91**	365.36
Other operating income		
Transmission charges received (refer note 37)	**2,787.05**	1,808.89
REVENUE FROM OPERATIONS (NET)	**23,134.77**	18,739.15

19. OTHER INCOME

	For the year ended 31 March 2013 (₹ in lacs)	For the year ended 31 March 2012 (₹ in lacs)
Interest income on		
Bank deposits	**88.01**	35.42
Others	**87.88**	-
Sale of certified emission reductions	**2,771.78**	-
Expenses on sale of certified emission reductions	**(86.07)**	-
Profit on sale of assets	**5.50**	11.77
Miscellaneous income	**72.95**	0.04
TOTAL	**2,940.05**	47.23

20. EMPLOYEE BENEFITS EXPENSES

	For the year ended 31 March 2013 (₹ in lacs)	For the year ended 31 March 2012 (₹ in lacs)
Salaries, wages and bonus	**1,086.44**	1,059.59
Director's remuneration	**40.02**	37.67
Contribution to provident and other funds	**53.93**	58.21
Gratuity expenses (refer note 30)	**9.96**	20.13
Leave compensation expenses	**6.66**	32.95
Workmen and staff welfare expenses	**97.96**	86.39
TOTAL	**1,294.97**	1,294.94

21. OTHER EXPENSES

	For the year ended 31 March 2013 (₹ in lacs)	For the year ended 31 March 2012 (₹ in lacs)
Stores, spares & other consumables	**355.22**	133.52
Rent	**71.85**	89.10
Power and fuel	**95.29**	134.58
Repair and maintenance		
- Buildings	**0.14**	7.21
- Civil works	**240.98**	160.20
- Plant and machinery	**57.25**	180.01
- Others	**228.29**	45.17
Rates and taxes	**25.76**	0.91
Insurance	**382.62**	423.83
Payment to auditor (refer details below)	**17.27**	16.92
Traveling and conveyance	**59.21**	78.67
Legal and professional expenses	**263.40**	294.00
Security arrangement expense	**159.28**	116.79
Exchange fluctuation (net)	**8.64**	1.06
Social welfare expenses (refer Note 38(b))	**148.20**	101.58
Vehicle running & hiring expenses	**198.67**	170.49
Provision for doubtful advances	**-**	24.40
Miscellaneous expenses	**140.77**	192.25
TOTAL	**2,452.84**	2,170.69
Payment to Auditor		
As Auditor:		
- Audit fee	**6.75**	6.62
- Fees for International reporting	**4.49**	4.41
In other capacity		
- Fees for other services	**3.37**	3.31
- Fees for certification	**0.86**	1.10
- Out of pocket expenses	**1.80**	1.48
	17.27	16.92

22. DEPRECIATION EXPENSE

	For the year ended 31 March 2013 (₹ in lacs)	For the year ended 31 March 2012 (₹ in lacs)
Depreciation on tangible assets	**11,697.30**	9,524.06
TOTAL	**11,697.30**	9,524.06

23. FINANCE COST

	For the year ended 31 March 2013 (₹ in lacs)	For the year ended 31 March 2012 (₹ in lacs)
Interest		
- On term loan	**10,283.83**	8,671.96
- Bank Charges	**212.06**	44.70
TOTAL	**10,495.89**	8,716.66

24. EARNINGS / (LOSS) PER SHARE (EPS)

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

	For the year ended 31 March 2013 (₹ in lacs)	For the year ended 31 March 2012 (₹ in lacs)
Profit/ (loss) after tax as per statement of profit and loss	**(2,584.44)**	(5,576.73)
Weighted average number of equity shares in calculating basic and diluted EPS	**5,601.53**	5,601.53
Basic and diluted earnings / (loss) per share in ₹	**(0.46)**	(1.00)

25. SEGMENT REPORTING

The Company's activities during the year involved generation of the Hydro power (Refer Note 1). Considering the nature of Company's business and operations, there are no separate reportable segments (business and/or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting' issued by the Companies (Accounting Standard) Rules, 2006 and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.

26. RELATED PARTY DISCLOSURES

(a) Names of related parties

Ultimate Holding Company	Bhilwara Energy Limited
Enterprises having significant influence over the Company	SN Power Global Services Pte. Limited SN Power Holding Singapore Pte. Limited Statkraft Norfund Power Invest Norway
Holding Company	Malana Power Company Limited
Key Management Personnel	Mr. R. P. Goel, Whole Time Director.
Fellow Subsidiaries	Indo Canadian Consultancy Services Limited.

(b) Transactions with related parties

(₹ In lacs)

Nature of Transaction	Ultimate Holding Company		Holding Company/ Enterprises having significant influence over the Company		Key Management Personnel*		Fellow Subsidiary	
	2012-13	2011-12	**2012-13**	2011-12	**2012-13**	2011-12	**2012-13**	2011-12
Transactions during the year								
Remuneration paid to Mr. RP Goel	**-**	-	**-**	-	**40.02**	37.67	**-**	-
Consultancy charges to Indo Canadian Consultancy Services Limited	**-**	-	**-**	-	**-**	-	**54.18**	24.54
Consultancy charges to SN Power Global Services Pte. Limited	**-**	-	**27.25**	447.08	**-**	-	**-**	-

(₹ In lacs)

Nature of Transaction	Ultimate Holding Company		Holding Company/ Enterprises having significant influence over the Company		Key Management Personnel*		Fellow Subsidiary	
	2012-13	2011-12	**2012-13**	2011-12	**2012-13**	2011-12	**2012-13**	2011-12
Reimbursement of expenses incurred by Malana Power Company Limited on behalf of the Company	**-**	-	**5.36**	1.15	**-**	-	**-**	-
Reimbursement of expenses incurred on behalf of Malana Power Company Limited	**-**	-	**28.45**	20.31	**-**	-	**-**	-
Reimbursement of expenses incurred by Indo Canadian Consultancy Services Limited on behalf of the Company	**-**	-	**-**	-	**-**	-	**-**	36.10
Reimbursement of expenses incurred on behalf of Indo Canadian Consultancy Services Limited	**-**	-	**-**	-	**-**	-	**-**	0.16
Reimbursement of expenses incurred by Statkraft Norfund Power Invest Norway on behalf of the Company	**-**	-	**2.11**	13.89	**-**	-	**-**	-
Reimbursement of expenses incurred by Bhilwara Energy Limited on behalf of the Company	**0.29**	49.98	**-**	-	**-**	-	**-**	-
Reimbursement of expenses incurred on behalf of Bhilwara Energy Limited	**14.42**	22.17	**-**	-	**-**	-	**-**	-
Unsecured Loan taken from Malana Power Company Limited	**-**	-	**7,644.11**	12,108.02	**-**	-	**-**	-
Unsecured Loan repaid to Malana Power Company Limited	**-**	-	**13,444.11**	3,594.26	**-**	-	**-**	-
Balances outstanding as at the year end								
Balances Payable:								
Indo Canadian Consultancy Services Limited	**-**	16.22	**-**	-	**-**	-	**-**	-
Bhilwara Energy Limited	**-**	34.20	**-**	-	**-**	-	**-**	-
SN Power Global Services Pte. Limited	**-**	-	**-**	131.55	**-**	-	**-**	-
Malana Power Company Limited (reimbursements)			**2.59**	(16.57)				
Unsecured Loan outstanding to Malana Power Company Limited	**-**	-	**46,380.00**	52,180.00	**-**	-	**-**	-
Interest payable on Unsecured Loan from Malana Power Company Limited	**-**	-	**7,461.13**	7,461.13	**-**	-	**-**	-
Guarantees given by the Malana Power Company Limited on behalf of the Company	**-**	-	**8,000.00**	8,000.00	**-**	-	**-**	-

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

27. CAPITAL AND OTHER COMMITMENTS

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) ₹ 430.25 lacs (Previous Year ₹ 2,204.83 lacs)

28. UNHEDGED FOREIGN CURRENCY EXPOSURE AT THE BALANCE SHEET DATE

Particulars	2012-13	2011-12
Creditor for engineering fees	**Nil**	₹ 37.05 lacs (CAD 0.72 lacs @ closing rate of 1CAD = ₹ 51.46)
Creditor for Supervisory Manpower Support	**Nil**	₹ 131.54 lacs (USD 2.58 lacs @ closing rate of 1USD = ₹ 51.02)

29. 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.

30. GRATUITY – DEFINED BENEFIT PLAN (AS 15- REVISED)

The Company has a defined benefit gratuity plan. Gratuity (being administered by a Trust) is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement / termination / resignation. The benefit vests on the employee completing 5 years of service. The Gratuity plan for the Company is a defined benefit scheme where annual contributions are deposited 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 'Employee benefits expenses' and the funded status and amounts recognised in the balance sheet:

Statement of Profit and Loss Account

Net employee benefits expense (recognised in Employee Cost):

Particulars	For the year ended March 31, 2013 (₹ in lacs)	For the year ended March 31, 2012 (₹ in lacs)
Current Service Cost	**10.30**	12.39
Interest cost on benefit obligation	**6.28**	5.43
Expected return on plan assets	**(4.68)**	(3.49)
Net actuarial (gain)/ loss recognised in the period	**(1.94)**	5.80
Past service cost	**-**	-
Net benefit expense	**9.96**	20.13
Actual return on plan assets	**(6.97)**	(4.44)

Balance Sheet

Details of Provision for Gratuity:

Particulars	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Defined benefit obligation	**65.18**	78.54
Fair value of plan assets	**55.22**	58.49
Surplus / (Deficit)	**(9.96)**	(20.05)
Less: Unrecognised past service cost	**-**	-
Net asset / (liability) recognized in Balance Sheet	**(9.96)**	(20.05)

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

Particulars	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Opening defined benefit obligation	**78.54**	63.90
Interest cost	**6.28**	5.43
Current service cost	**10.30**	12.39
Benefits paid	**(30.29)**	(9.93)
Actuarial (gains)/ losses on obligation	**0.35**	6.76
Closing defined benefit obligation	**65.18**	78.54

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

Particulars	As at March 31, 2013 (₹ in lacs)	As at March 31, 2012 (₹ in lacs)
Opening fair value of plan assets	**58.49**	43.57
Expected return	**4.68**	3.49
Contributions by employer	**20.05**	20.41
Benefits paid	**(30.29)**	(9.93)
Actuarial gains / (losses)	**2.29**	0.96
Closing fair value of plan assets	**55.22**	58.49

The Defined benefit obligation amounting to ₹ 65.18 lacs is funded by assets amounting to ₹ 52.22 lacs and the Company expects to contribute ₹ 14.49 lacs during the next year.

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

Particulars	As at March 31, 2013	As at March 31, 2012
	%	%
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 liability for the Company's plans are shown below:

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
	%	%
Discount Rate	**8.00**	8.50
Expected rate of return on assets	**8.00**	8.00
Future Salary Increase	**5.50**	6.00
Withdrawal rate	**1 to 3**	1 to 3

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

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

	For the year ended March 31, 2013	For the year ended March 31, 2012	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009
Defined benefit obligation	**65.18**	78.54	63.90	56.90	45.30
Plan assets	**55.22**	58.49	43.49	45.78	33.93
Surplus / (deficit)	**(9.96)**	(20.05)	(20.41)	(11.12)	(11.38)
Experience adjustments on plan liabilities	**(0.03)**	(7.00)	(8.22)	(4.10)	1.12
Experience adjustments on plan assets	**2.29**	0.96	(0.48)	5.03	0.29

Defined Contribution Plan **(₹ in lacs)**

Particulars	2012–13	2011–12
Contribution to Provident Fund	41.08	56.57
Contribution to Superannuation Fund	8.93	10.50
	50.01	67.07

31. The Company has incurred a loss of ₹ 2,584.45 lacs during the year ended March 31, 2013 and has accumulated losses of ₹ 19,426.52 lacs as at March 31, 2013. This is the third year of operations and the first year when plant has operated at full capacity. Losses have been decreasing year on year from ₹ 11,265.34 lacs in 2010-11, ₹ 5,576.73 lacs in 2011-12 to ₹ 2,584.45 lacs in the current year. Based on financial projections and impairment testing done by the management, the management believes that no impairment is required and the Company will have sufficient cash flows to meet their obligations as and when they fall due in future.

32. In accordance with Accounting Standard 22 'Accounting for Taxes on Income', issued by the Companies (Accounting Standard) Rules, 2006, deferred tax assets have not been recognised in the books due to losses brought forward and incurred during the year and absence of virtual certainty of future taxable profits in view of tax holiday available to the Company.

33. **LEASES**

In case of assets taken on Operating Lease:

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

(₹ in lacs)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Lease payments for the year	264.59	218.95

34. The Company has taken loan from its holding company, Malana Power Company Limited of which ₹ 53,841.13 lacs (₹ 59,657.70 lacs in previous year) (including principal and interest amount) is outstanding at year end.

In view of losses, the Company has requested its holding company to waive off the interest with effect from September 17, 2010 till the time the Company's operations become profitable. The Board of Directors of its holding company in their meeting dated March 29, 2011 have approved such request. Accordingly, interest amounting to ₹ 5,227.19 lacs for the year ended March 31, 2013 (previous year ₹ 5,272.52 lacs) has not been charged from the subsidiary company.

35. **EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)**

Particulars	2012-13 (₹ in lacs)	2011-12 (₹ in lacs)
Legal and professional charges	36.58	537.32
Traveling and conveyance	1.89	17.29
Finance cost	5.47	5.15
Expenses on sale of CER expenses	49.49	Nil
Miscellaneous expenses	0.41	Nil

36. **EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)**

Particulars	2012-13 (₹ in lacs)	2011-12 (₹ in lacs)
Others (Sale of Certified Emission Rights)	2,771.78	Nil

37. Everest Power Private Limited ('EPPL') is using the transmission system of the Company. As per the Appellate Tribunal for Electricity's ('APTEL') interim order dated June 20, 2011, an interim Power Transmission Agreement was signed between the Company and EPPL on August 9, 2011. According to the agreement, EPPL has agreed to pay monthly transmission charges of ₹ 227.76 lacs for the EPPL's Injected energy / power wheeled through the transmission system of the Company.

Subsequently, EPPL has raised some disputes and has not been paying the monthly transmission charges since October 2012 and there is outstanding receivable of ₹ 1,640.99 lacs from EPPL as at March 31, 2013. The matter is pending with the Hon'ble Supreme Court and pending final adjudication, the Hon'ble Supreme Court has directed EPPL to pay the monthly transmission charges as per the interim Power Transmission Agreement.

Based on discussion with lawyers, the management is confident that the transmission charges income of ₹ 2,787.05 lacs (previous year ₹ 1,808.89 lacs) recorded in the financial statements is appropriate, entire amounts are receivable and any adjustments arising out of the final order on the matter, will not be material in relation to the financial statements.

38. CONTINGENT LIABILITIES

Particulars	2012-13 (₹ in lacs)	2011-12 (₹ in lacs)
Claims by contractors / suppliers against the Company not acknowledged as debts	**Nil**	70.00
Claim from customer not acknowledged as debts (for loss of revenue on sale of electricity to HPSEB) (also refer (a) below	**316.68**	316.68
Demand under The Building & Other Construction Workers Welfare Cess Act, 1996	**1,300.33**	Nil
Demand under Local Area Development Fund (LADF) from Directorate of Energy, Government of Himachal Pradesh (also refer (b) below)	**2,132.00**	633.00

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

a) During 2010-11, due to flooding at its plant, the Company could not supply power to HPSEB for the period from August 20, 2010 to August 28, 2010. Against the same, HPSEB has claimed and withheld the payment of ₹ 316.68 lacs payable by them against supply of power by the Company for the subsequent period. The Company believes that the non supply was due to 'forced shutdown' beyond the control of the Company and thus, force majeure provisions are applicable.

   The management is in discussion with the Board officials and is hopeful of resolution of the matter in its favour and release of the payment. Thus, no adjustments have been made in the financial statements in this regard.

b) As per its Hydro Power Policy, the Directorate of Energy, Government of Himachal Pradesh has asked the Company to deposit an amount of ₹ 3,032.00 lacs towards Local Area Development Fund (LADF) which is 1.5% of final completed cost of the project ₹ 202,130.00 lacs. The Company is contesting the above demand on the following grounds:

   i) The agreement dated November 5, 2005 entered by the Company with the State Government stipulates a provision of 1.5% of the total cost reflected in the Detailed Project Report (DPR) which works out to ₹ 1,380.00 lacs as per the Detailed Project Report ('DPR') approved by CEA, Government of India. Therefore, subsequent provision in the Hydro Power Policy of 2006 for LADF contribution may not be insisted.

   ii) The completed cost of the project referred by the government includes the cost of the dedicated 175 Km Transmission Line which otherwise was not required as per the provision in Techno-economic Clearance (TEC) wherein the pooling point at Panarsa was to be made available by the Government.

   The Company has deposited an amount of ₹ 399.00 lacs towards LADF and has also incurred expenses of ₹ 1,134.00 lacs against the same. Out of this approved expense, an amount of ₹ 633.00 lacs is being disputed by the concerned Department on the recommendation of District Administration as not permissible expense, which has been contested by the Company.

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

39. IMPORTED AND INDIGENOUS STORES AND SPARE PARTS CONSUMED (INCLUDED UNDER 'STATEMENT OF PROFIT & LOSS ACCOUNT'):

	Percentage of total consumption		Value (₹ lacs)	
Stores & Spares	**March 2013**	**March 2012**	**March 2013**	**March 2012**
Imported	**0.04**	0.21	**1.25**	0.24
Indigenously obtained	**99.96**	99.79	**324.63**	111.56
	100.00	100.00	**325.88**	111.80

40. PREVIOUS YEAR FIGURES

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

As per our report of even date

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

per Manoj Gupta
Partner
Membership No. 83906

Place : Gurgaon
Dated : August 26, 2013

For and on behalf of the Board of Directors of AD Hydro Power Limited

Ravi Jhunjhunwala
Director
DIN: 00060972

Erik Knive
Director
DIN: 05213708

O. P. Ajmera
Chief Executive Officer

Narayan Lodha
Company Secretary
M.No.: 32746

Place : Noida
Date : August 26, 2013