ANNUAL REPORT
OF

AD HYDRO POWER LIMITED

CIN No. U40101HP2003PLC026108

CORPORATE INFORMATION

CHAIRMAN
Mr. Ravi Jhunjhunwala

DIRECTORS
Ms. Time Iyer Utne
Dr. Kamal Gupta
Mr. Lars Espen Ellegard
Mr. R. P. Goel (Whole Time Director)
Mr. Bidyut Shome

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 Agarwal & Associates, New Delhi

TECHNICAL CONSULTANTS
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
IL & FS Infrastructure Debt Fund

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
Email - adhydropower@hotmail.com

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

CHAIRMANS' SPEECH

Dear Stakeholder,

Since its formation in May 2014, the focus for the new Government has been to bring back growth in the Indian Economy, which had been characterized by contraction in industrial output due to sluggish demand and paralysis in Government decision making. Any revival has to be supported by well-developed infrastructure. Energy is a key component of the infrastructure & development. Recognizing this fact, there has been a consolidation of all the energy ministries and departments (except for Ministry of Petroleum) under one single roof to ensure uniformity and consistency in policy formulation. The Government has taken targets of ensuring 24x7 power supply to all the citizens across the country in next 5 years. This is a difficult but achievable target requiring out-of-the-box policy decisions; swift policy implementation through overhauling of generation, transmission and distribution systems and; effective monitoring.

On the Demand side, the energy demand has remained subdued with the growth in energy demand being recorded at 0.7%, which has been the lowest in the decade. This is attributed to reduced industrial and manufacturing activity, which accounts for 40% share in power consumption. Accordingly the base energy demand-supply gap and peak energy demand-supply energy dap has narrowed down to 4.2% and 4.5% respectively in 2013-14. The base energy deficit used to hover around 8.5% to 11% during 2004-05 to 2012-13. Similarly the peak energy gap used to hover in between 9% to 16% during this period. While the Government is committed to increase the per capita energy consumption, it is taking steps to ensure that power is made available to all whether it is urban or rural, domestic or industrial.

On the supply side, the fuels constraints have been aggravated by the cancellation of the allotment of coal blocks by Hon'ble Supreme Court vide its order on 24th September 2014. The Government is working on modalities for re-auction of these de-allocated and new coal blocks, specifically for energy sector, which should result in revival of the thermal power projects developed on the basis of these coal blocks.

The hydro power sector has also been going through a lean patch. The operational projects failed to plug the power deficit gap during summers of 2014 on account of late rainfall. The projects under execution faced issues related to environment and infrastructural gaps resulting in massive slippages in commissioning timelines.

With the integration of Southern Grid with the NEWNE Grid, new consumers, especially power deficient, have been added. This provides opportunity to NEWNE based power producers to supply power to consumers in Southern India. The poor financial health of distribution companies has restrained them from buying power and instead, encouraged them to resort to load shedding in Tier II and III cities. This has resulted in slumping of power prices in short term markets as well as distorted peak power deficit numbers.

The financial year 2013-14 has not been very encouraging year for the Company Hydro Business as merchant power prices have gone down substantially. This has adversely affected the profitability of the Company.

In view of the long term outlook for power demand being strong, it is estimated that the current demand of 900 billion units is likely to be increased to 1350 billion units by 2017. With the positive attitude of the Government towards reforms and its commitment to provide power to all by 2019, the future outlook of the power sector certainly offers hope.

On behalf of the Board of Directors, I would like to express our sincere gratitude to the Ministry of Power and Ministry of Environment & Forests, Government of India; Central Electricity Authority, Government of Himachal Pradesh, other government agencies, Financial Institutions and Commercial Banks, 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

AD HYDRO POWER LIMITED

The Directors of the Company are pleased to present their Eleventh Annual Report on the business and operations of the Company and Audited Statement of accounts for the year ended 31st March, 2014 together with the Auditors' Report.

1. FINANCIAL PERFORMANCE

(Rs. in millions)

Particulars	For the Year ended 31.03.2014	For the Year ended 31.03.2013
Total Turnover	**1747.274**	2064.142
Less : Discount On Prompt Payments	**22.687**	35.289
Less : Handling Charges	**11.522**	5.772
Add: Unscheduled Interchange Charges	**22.973**	11.691
Net Sales	**1736.038**	2034.772
Transmission Charges	**277.365**	278.705
Revenue From Operations	**2013.403**	2313.477
Other Income	**355.388**	294.005
Total Income	**2368.791**	2607.482
Profit/(Loss) Before Interest, Depreciation And Tax	**1708.643**	1960.875
Interest	**1014.246**	1049.589
Profit/(Loss) Before Depreciation And Tax	**694.397**	911.286
Depreciation	**1184.950**	1169.730
Profit / (Loss) Before Tax	**(490.553)**	(258.444)
Net Profit/(Net Loss) After Depreciation Interest And Tax	**(490.553)**	(258.444)
Balance Brought Forward From Previous Year	**(1942.651)**	(1684.207)
Net Profit/(Net Loss) Carried To Balance Sheet	**(2433.204)**	(1942.651)
Basic and Diluted Earning Per Share (EPS)	**(0.88)**	(0.46)

Your Company's total income during the year stood at Rs.2,368.791 million as compared to Rs. 2,607.482 million in previous year.

2. OPERATIONS

During the year under review, the total generation stood at 700.238 million units.

The operation data for the year is as given below:

(in million units)

S. No.	Particulars	2013-14	2012-13
1	Total Generation	**700.238**	681.167
2	Less: Auxiliary & Transformation Loss	**19.811**	18.108
3	Less: Royalty/ Wheeling to Govt. of HP	**81.652**	79.567
4	Less: Impact of Unschedule Interchange Energy / PoC Loss	**25.276**	20.639
5	Total Units sold	**573.499**	562.852

3. DIVIDEND

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

4. INDUSTRY POTENTIAL & DEVELOPMENT

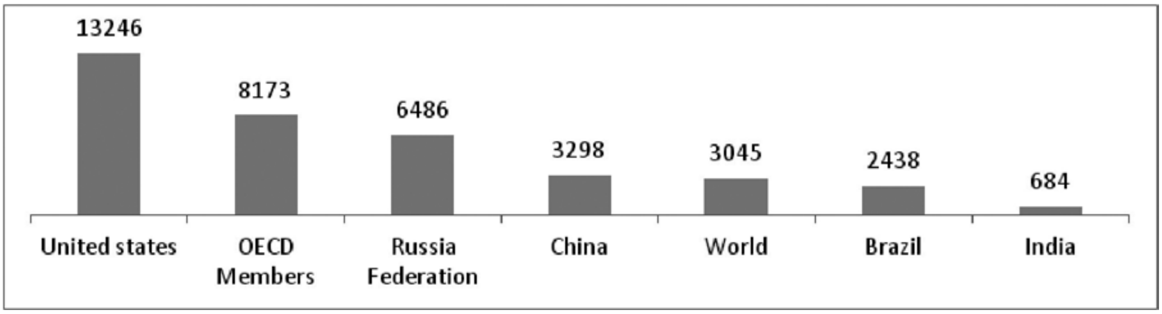
The all India installed power generation capacity as on 31.08.2014 was 253389.49 MW which includes 40798.76 MW generation from hydro power, the rest from the thermal, nuclear and renewable energy sources. To fulfill the objectives of the National Electricity Policy, a capacity addition of 17825.01 MW was achieved against the target of 11663.31 MW during the FY 2013-14.

As regards hydro potential, India has an estimated hydro potential of about 1,50,000 MW of which only about 40798.76 MW (as on 31.08.2014) has been commissioned so far. The bulk of the unharnessed potential is located in the hill states of Himachal, Uttarakhand, Arunachal Pradesh and Sikkim. The above industry scenario signifies that there is an ample opportunity for consistent growth of the business in hydro, thermal and renewable energy sector in the times to come.

ELECTRICITY DEMAND

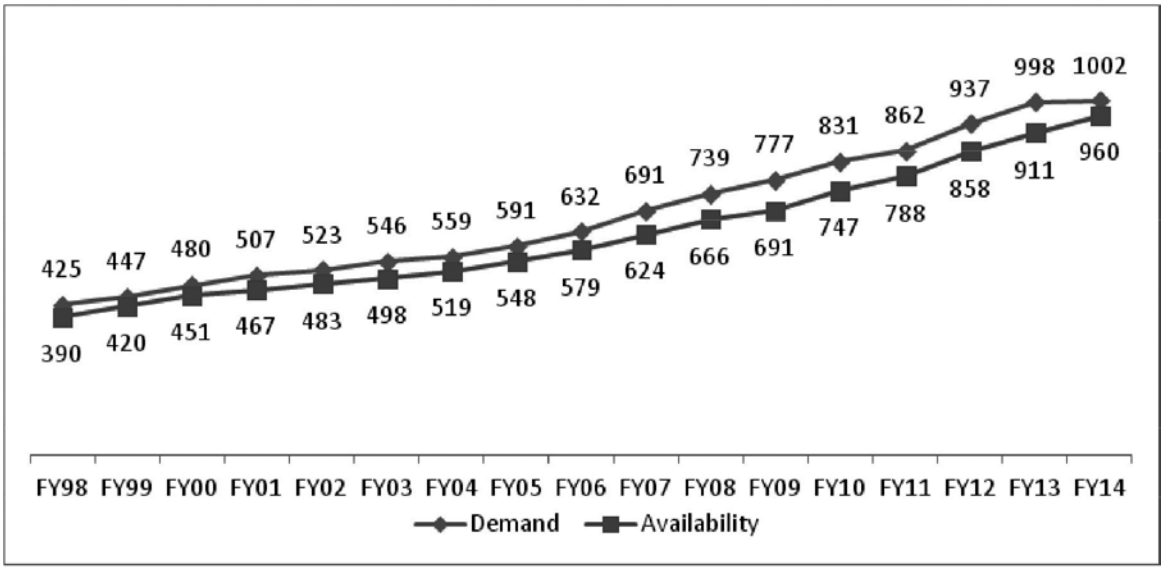
Per capita consumption of electricity in India has grown from 435 kWh/year in Fiscal 2003 to 917.18 kWh/year in Fiscal 2013 according CEA. According to the International Energy Agency (IEA) per capita consumption in India remains relatively low compared to other leading developed and emerging economies.

Per Capita Electricity Consumption in Large Economies



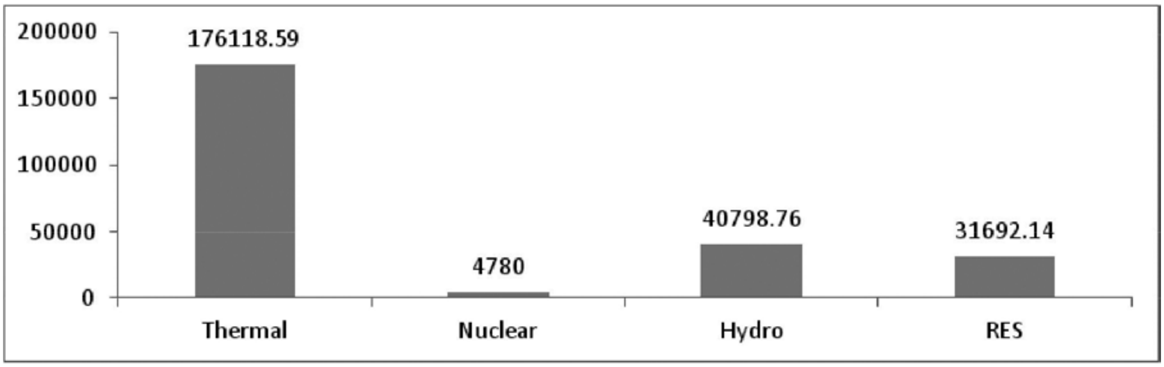
Source: World Data Bank (2011 data)

The low per capita electricity consumption in India compared to the world average presents potential for sustainable growth in demand. Even at the consumption levels of recent years, demand for electricity in India is substantially higher than the available supply. For Fiscal 2014, India faced an energy shortage of approximately 4.2% of total energy requirements and 4.5% of peak demand requirements.



Source: CEA, Load Generation Balance Report, 2013-14

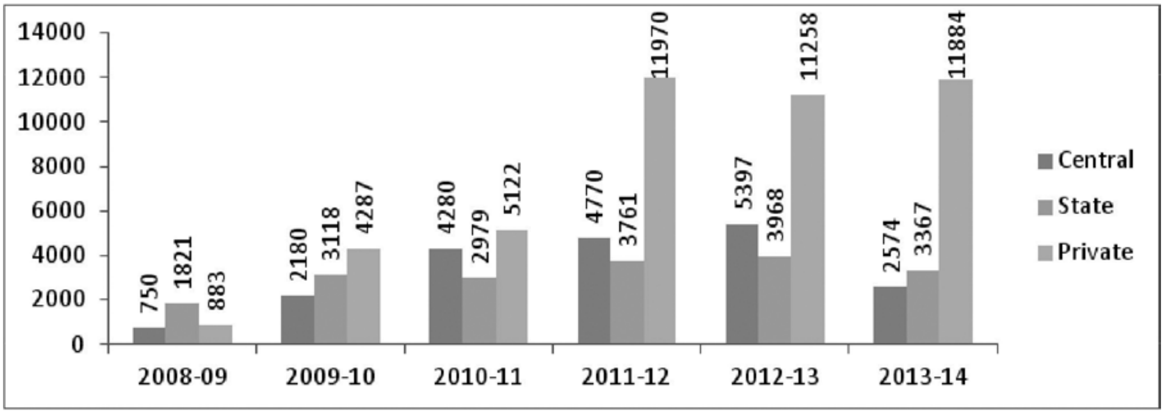
All India generating installed capacity by fuel (MW) as on 31st August, 2014 is as under:



Source: CEA

To sustain the GDP growth rate of India @ 8% + per annum, India needs the power sector to grow at 1.8 to 2 times the GDP rate of growth as supposed by economic planners and industry experts. This would mean year on year capacity additions of 18000 to 20000 MW to achieve this ambitious plan of moving India to a developed economy status as an economic global power house. The power sector will provide biggest avenues to participate in the development of India's infrastructure.

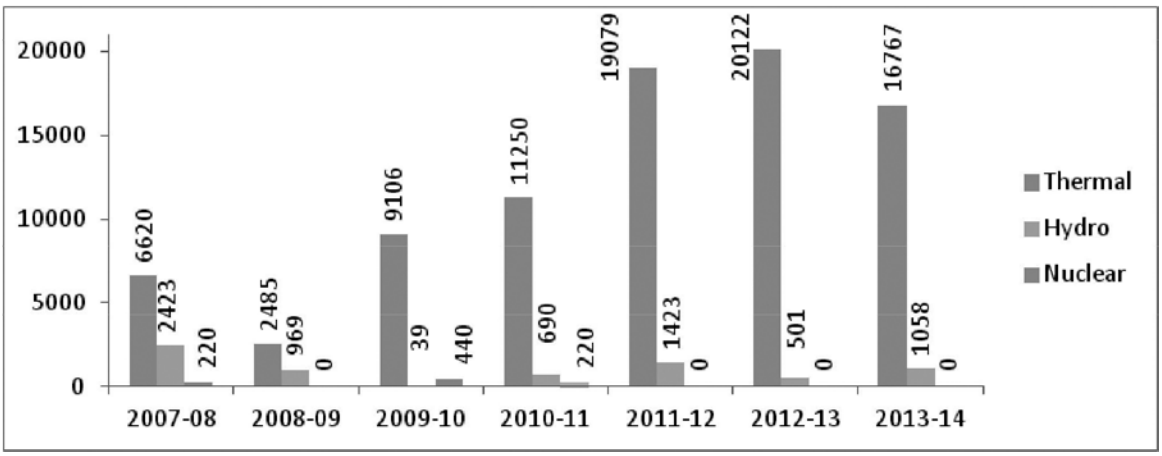
Power capacity addition by Sector (in MW) during 2008-09 to 2013-14:



Source: CEA

In the medium term, thermal power is likely to remain the major source of generation as the coal based (pit head plants)/gas based projects presently have a competitive tariff advantage over renewable energy projects.

Power Capacity addition by fuel (in MW) during 2007-08 to 2013-14:



Source: CEA

Note: Thermal plant includes plant based on fuel such as lignite, coke, residual oil, gas/naphtha and coal.

According to CEA capacity of 88537 MW is expected to be added in 12th Five Year Plan, inter-alia including 72340 MW in Thermal, 10897MW in Hydro and 5300 MW in Nuclear. There has been a record capacity addition of 54962 MW in power sector during the 11th plan.

POLICY & REGULATORY FRAMEWORK

Being a highly regulated sector, policies and regulations are playing a pivotal role in the development of this sector. Over the years, the government has realized the importance of the private sector participation. The Electricity Act, 2003 was a turning point in the reforms process which removed the need for license for generation projects, encouraged competition through international competitive bidding, identified transmission as a separate activity and invited a wider public and private sector participation among other things. Several path-breaking regulations such as standard bidding guidelines, open access, multi-year tariff regime and so on, are in place. However, while the regulations are all there, what is lacking is their implementation.

The power sector in India involves governance by the Central and State Regulatory Agencies. The three chief regulators for the power sector are Central Electricity Regulatory Commission, Central Electricity Authority and the State Electricity Regulatory Commission(s).

OPPORTUNITIES

As Indian Economy continues to grow, it is expected that India's energy consumption will grow as well. The Government of India expects that power requirements would double by 2020 to 4,00,000 MW. Wider participation from the private sector is invited with the new government in place. According to CRISIL research, it estimates about Rs. 7,50,000

Crore is likely to be invested in the power sector by 2014-15. Of this Rs. 4,80,000 Crore is expected to be invested in power generation space. Nearly half of the investments in the power generation space are likely to be made by the private sector. Along with generation this has opened up opportunities in transmission sector as well. ***As per Section 80 –IA of Income Tax Act, 1961, power generation companies are eligible for 100% deduction of the profits for 10 consecutive years during the first 15 years of operations. The benefit under this section was earlier available only until FY 2013 which has now been extended till FY 2017.*** This will be of a major advantage to project developers, as it will substantially reduce their tax burden at least till 2017.

CHALLENGES

India has historically failed to meet its power sector targets by a significant margin and has tremendous opportunities ahead. The power sector continues to be affected by a shortfall both on generation as well as on transmission side. There has been lack of adequate supply of balance of plant equipment and shortage of construction equipment, as well. Power plants and utilities face major constraints and delays regarding the availability of land and obtaining the requisite environment and other clearances for the projects. Increasing power generation costs due to limited fuel availability, poor financial health of State Discoms, high AT&C losses have contributed in suppressed demand projections by State Discoms. Theft of electricity in most parts of India is a matter of concern. Hydro power projects development does not have the momentum due to the uncertainties of land acquisition, rehabilitation & resettlement issues, environment & forest clearances, inter-state issues and contractual disputes. Moreover, even after best geological investigations, existence of shear zones and water bodies may result in serious time and cost over-runs.

OUTLOOK

In view of the ongoing operations, the future outlook of the Company is positive.

5. DIRECTORS

Your Directors inform the members that Mr. L.N. Jhunjhunwala, Chairman-Emeritus and the founder of the Group expressed his desire to relinquish the office of Director, so to devote his time to philanthropic activities where he has been deeply involved for a long time. Your Directors respecting his desire accepted the request to resign from the Board but urged upon him in all earnestness to continue as the Chairman –Emeritus, which he has very kindly accepted. Your Directors honour and taken pride in the contribution of Mr. L.N. Jhunjhunwala since the inception of the Company and his unparalleled efforts over many years to bring the Company to its present position.

During the year Mr. Erik Knive resigned from the position of Director from Board of the Company with effect from 11th March, 2014. The Board placed on record its sincere appreciation for the services rendered by him during his tenure as Director.

Mr. Ravi Jhunjhunwala and Mr. Lars Espen Ellegard, Directors would retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

During the year Ms. Tima Iyer Utne was appointed as Additional Director in place of Mr. Erik Knive with effect from 11th March, 2014. Her appointment/ confirmation as Director has been included in the Notice convening the ensuing Annual General Meeting.

6. AUDIT COMMITTEE AND REMUNERATION 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. The proceedings of the Committee have been in accordance with the provisions of the Companies Act, 1956.

During the year the company has reconstitute the Audit and Remuneration Committee by inducting Ms. Tima Iyer Utne as member of these committees in place of Mr. Erik Knive.

The members of the Audit Committee are Mr. Ravi Jhunjhunwala, Dr. Kamal Gupta and Ms. Tima Iyer Utne.

The Company has also constituted Remuneration Committee, members being Dr. Kamal Gupta, Mr. Ravi Jhunjhunwala and Ms. Tima Iyer Utne.

7. 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. Your 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.

8. DIRECTORS' RESPONSIBILITY STATEMENT

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

i. That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii. That the accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year 2013-14.

iii. That the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 (and under the Companies Act, 1956 to the extent applicable) 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.

9. PUBLIC DEPOSITS

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

10. 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-I to the Directors' Report.

11. ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Information required to be disclosed under Section 134(3)(m) of the Companies Act, 2013 (earlier 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 II, forming part of this Report.

12. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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.

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.

13. AUDITORS' REMARKS

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

14. AUDITORS

14.1 STATUTORY AUDITORS

M/s S.R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No.301003E), Statutory Auditors of the Company, shall retire at the conclusion of the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

As required under the provisions of Section 139 of the CompaniesAct, 2013 (earlier Section 224(1B) of the Companies Act, 1956), the Company has obtained a written consent and acertificate from the Statutory Auditors to the effect that their reappointment,if made, would be in accordance with the conditionsas may be prescribed and they fulfill the criteria laid down in Section 141 of the Companies Act, 2013.

Based on the recommendations of the Audit Committee, the Board has recommended the appointment of M/s.S.R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No.301003E) as Statutory Auditors of the Company for a period of one year.

14.2 COST AUDITORS

For the financial year 2013-14, the Board of Directors of the Company had re-appointed, on the recommendation of the Audit Committee, M/s K.G. Goyal & Co., Cost Accountants (Firm Registration No. 0017) as Cost Auditors for auditing the Cost Accounts in respect of 'Electricity' pertaining to various Power Plants of the Company. Their appointment was approved by the Central Government. In terms of the Companies (Cost Audit Report) Rules, 2011, the Cost Audit Report relating to Power plants of the Company, for the Financial Year ended 31st March, 2013 has been filed within due date, with the Cost Audit Branch of the Ministry of Corporate Affairs. The Cost Audit Report for the Financial Year 2013-14 will be filed within the due date.

Pursuant to Section 148 of the Companies Act, 2013 (earlier Section 233B 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 (Firm Registration No. 0017) 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.

15. 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 at Project office, Prini, Himachal Pradesh. This workshop was attended by the company executives and representatives from SN Power offices globally.

We also have a robust grievance Redressal mechanism 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.

Your Company had conducted a full day Workshop at AD Hydro Power Plant, Prini on 26.02.2014 for all employees on

i. Code of Conduct';

ii. The 'Core Values' of the company and

iii. Prohibition, Prevention and Redressal of Sexual Harassment of Women at Workplace (SHOW)

16. ENVIRONMENT, HEALTH & SAFETY (EHS)

The Company has excellent compliance records of all statutory requirements applicable to its scope of activities under Health, Safety and Environment management. During the year under consideration, your Company fulfilled its commitment to adopt best international EHS practices in its operating plant by being awarded ISO 14001:2004 certification (internationally accreditation for Environmental Management System) and OHSAS 18001:2007 (internationally recognized assessment specification for Occupational Health and Safety Management System). These systems promote a safe and healthy working environment by providing a framework that allows organizations to prevent pollution and reduce potential accidents and improve overall EHS performance.

Your Company had observed 'National Safety Week' by celebrating it at the site location between 4th-11th March 2014 to practice "Safety first thought" that was followed by taking safety pledge in the presence of Management Representative (MR) & Safety officer. Periodical medical health check-up at the site location and in this regard medical health check-up of all employees was conducted between 9th-12th April 2014 & 16th-19th April 2014.

Your Company had celebrated World Environment Day' on 5th June 2014 at the plant site by starting a plantation drive. 'Training workshop on Insurance and Claim Management' was also conducted by Aon Global on 6th June 2014 at Corporate Office, Noida that was attended by the executives of the Company.

17. CORPORATE SOCIAL RESPONSIBILITY

The Company ensures 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, your Company has been taking concrete action to realize its social responsibility. In the past, the Company has been actively involved in local infrastructure development like : construction, widening and strengthening of roads; construction of bridges; construction and maintenance of Village Bhojanalya and local school. Your Company also contributes to women empowerment, community development and healthcare.

18. 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, Ministry of Corporate Affairs, Central and State Government and other government agencies, Lenders, 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 AND DIRECTOR
(DIN 00060972)

PLACE: NOIDA
DATE: 6th SEPTEMBER, 2014

ANNEXURE I 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 2014 are given hereunder:

I. Persons employed for the full year

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

ANNEXURE II 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 –** The Company has always spread awareness for conservation of energy amongst its employees and people at its corporate office and plant location. The Company always uses energy efficient equipments. During the year, there was no requirement of taking up any action in this regard as adequate steps had been taken to conserve energy consumption.
2. **TECHNOLOGY ABSORPTION –** The Company has not taken up any new project for technology absorption during the Financial Year under consideration.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

(in Rs. millions)

S. No.	Particulars	FY 2013-14	FY 2012-13
I	Foreign Exchange Outgo		
	Engineering Fees and Consultancy charges	**0.00**	3.658
	Legal and Professional charges	**0.00**	0.00
	Traveling	**0.422**	0.189
	Financial charges	**0.620**	0.547
	CER Expenses	**5.983**	4.949
	Others	**0.047**	0.041
	Total	**7.072**	9.384
II	Foreign Exchange Earnings	**334.962**	277.178

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, 2014, 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 notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs. 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Companies Act, 1956 ("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, 2014;

(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, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated 4 April 2014 issued by the Ministry of Corporate Affairs;
   (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, 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 Kumar Gupta
Partner
Membership Number: 83906
Place of Signature: Noida
Date: September 06, 2014

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) According to the information and explanations given to us, 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, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon

(e) The Company had taken loan from one Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 47,513.38 lakhs and the year-end balance of loan taken from such Company was Rs 46,380.00 lakhs (excluding interest accrued on the loan amounting to Rs. 7,461.13 lakhs).

(f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan is not prima facie prejudicial to the interest of the Company.

(g) As informed to us and as per the terms of the Subordinated Loan agreement between the Company and the lending Company (Malana Power Company Limited), 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 the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the services 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. We have not, however, made a detailed examination of the same.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, cess and other material statutory dues applicable to the Company. The provisions relating to employees' state insurance, investor education and protection fund, and excise duty are not applicable to the Company. *In respect of service tax, delays were observed in some cases as detailed in (b) below.*

(b) According to the information and explanations given to us, *undisputed dues in respect of service tax which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows*

Name of Statutes	Nature of Dues	Amount (₹)	Period to which amount relates	Due date	Date of Payment
Finance Act, 1994	Service tax under reverse charge mechanism	365,653	July 2012 to Sept. 2013	5th/6th of succeeding month and March 31 for month of March.	August 4, 2014

(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 (₹ lakhs)	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, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

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

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

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

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

(xvi) Based on the 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) According to the information and explanations given to us, the Company had issued 7,55,668 debentures of Rs. 1000 each, during the period covered by our audit report. The Company has created security or charge in respect of debentures issued.

(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 Kumar Gupta
Partner
Membership Number: 83906

Place of Signature: Noida
Date: September 06, 2014

BALANCE SHEET AS AT MARCH 31, 2014

Particulars	Note No.	As at 31 March 2014 (₹ in lacs)	As at 31 March 2013 (₹ in lacs)
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	**56,015.28**	56,015.28
(b) Reserves and surplus	4	**(24,332.04)**	(19,426.51)
		31,683.24	36,588.77
2 Non-current liabilities			
(a) Long-term borrowings	5	**121,229.23**	129,560.67
(b) Other long term liabilities	6	**7,461.13**	7,461.13
(c) Long-term provisions	7	**100.43**	96.90
		128,790.79	137,118.70
3 Current liabilities			
(a) Trade payables	8	**1,063.57**	960.29
(b) Other current liabilities	8	**16,929.27**	11,919.53
(c) Short-term provisions	7	**15.57**	51.39
		18,008.41	12,931.21
Total		**178,482.44**	186,638.68
II. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	9	**167,306.06**	177,996.88
(ii) Capital work-in-progress	10	**-**	130.72
(b) Loans and Advances	11	**189.90**	492.47
(c) Other non-current assets	12	**2.00**	42.63
		167,497.96	178,662.70
2 Current assets			
(a) Inventories	13	**1,374.18**	1,376.08
(b) Trade receivables	14	**3,617.19**	2,131.87
(c) Cash and bank balances	15	**3,861.87**	1,418.73
(d) Loans and Advances	11	**274.79**	846.44
(e) Other current assets	16	**1,856.45**	2,202.86
		10,984.48	7,975.98
TOTAL		**178,482.44**	186,638.68
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
ICAI Firm Registration Number: 301003E

per Manoj Kumar Gupta
Partner
Membership No. 83906

Place : Noida
Dated : September 6, 2014

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

Ravi Jhunjhunwala
Director
DIN: 00060972

Tima Iyer Utne
Director
DIN:-06839949

O. P. Ajmera
Chief Executive Officer

Narayan Lodha
Company Secretary
M.No.: 32746

Place : Noida
Date : September 6, 2014

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED MARCH 31, 2014

Particulars	Note No.	Year ended 31 March 2014 (₹ in lacs)	Year ended 31 March 2013 (₹ in lacs)
I. Income			
a Revenue from operations (net)	17	**20,134.03**	23,134.77
b Other Income	18	**3,553.88**	2,940.05
Total Income		**23,687.91**	26,074.82
II. Expenses			
Bulk power transmission charges		**2,753.94**	2,447.13
Open Access Charges		**715.87**	271.13
Employee benefits expense	19	**1,138.69**	1,294.97
Other expenses	20	**1,992.98**	2,452.84
Depreciation and amortization expense	21	**11,849.50**	11,697.30
Finance costs	22	**10,142.46**	10,495.89
Total expenses		**28,593.44**	28,659.26
III. (Loss) before tax		**(4,905.53)**	(2,584.44)
IV. (Loss) for the year		**(4,905.53)**	(2,584.44)
V. Earnings per share [nominal value of share ₹ 10 (Previous year ₹ 10)]			
Basic and diluted	23	**(0.88)**	(0.46)
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
ICAI Firm Registration Number: 301003E

per Manoj Kumar Gupta
Partner
Membership No. 83906

Place : Noida
Dated : September 6, 2014

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

Ravi Jhunjhunwala
Director
DIN: 00060972

Tima Iyer Utne
Director
DIN:-06839949

O. P. Ajmera
Chief Executive Officer

Narayan Lodha
Company Secretary
M.No.: 32746

Place : Noida
Date : September 6, 2014

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

Particulars	For the year ended March 31, 2014 ₹ In lacs	For the year ended March 31, 2013 ₹ In lacs
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	**(4,905.53)**	(2,584.44)
Adjustments for :		
Depreciation	**11,849.50**	11,697.30
Loss / (Profit) on sale of assets	**0.70**	(5.50)
Interest expense	**10,005.12**	10,283.83
Interest income	**(209.95)**	(103.06)
Discount on Issue of debenture	**56.68**	–
Asset held for sale written off	**22.22**	–
Operating profit before working capital changes	**16,818.74**	19,288.13
Movement in working capital :		
– (Increase)/decrease in trade receivables	**(1,485.32)**	(873.57)
– (Increase)/decrease in loans and advances	**447.19**	(465.18)
– (Increase)/decrease in inventories	**1.90**	(27.34)
– (Decrease)/increase in trade payable and current liabilities	**166.70**	(886.89)
– (Decrease)/increase in provision	**(32.30)**	(48.53)
Cash generated from operations	**15,916.91**	16,986.62
Direct tax (paid) /refund	**(28.09)**	(52.46)
Net cash flow from operating activities (A)	**15,888.82**	16,934.16
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets (including capital work in progress & capital advances)	**(1,272.11)**	(2,601.09)
Inter Corporate Deposit Redeemed/Given	**328.18**	(328.18)
Fixed deposit Made/ redeemed	**(816.19)**	29.08
Proceeds from sale of fixed assets (including project equipment)	**6.71**	14.84
Interest received	**198.07**	106.92
Net cash flow from / (used in) investing activities (B)	**(1,555.35)**	(2,778.42)
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment of) long -term borrowings	**(10,193.33)**	(7,052.33)
Proceeds from long -term borrowings	**7,500.00**	10,000.00
Proceeds from / (repayment of) Short term Loan from holding company	**–**	(5,800.00)
Interest paid	**(10,053.81)**	(10,321.39)
Net cash flow from / (used in) financing activities (C)	**(12,747.14)**	(13,173.72)
Net Increase/(Decrease) in cash and cash equivalents (A+B+C)	**1,586.33**	982.02
Cash and cash equivalents at the beginning of the year	**1,418.72**	436.70
Cash and cash equivalents at the end of the year	**3,005.05**	1,418.72
Components of cash and cash equivalents		
Cash on hand	**3.45**	1.84
Deposits with original maturity of less than 3 months	**2,310.00**	–
With banks - on current account	**691.60**	1,416.89
TOTAL CASH & CASH EQUIVALENTS (NOTE NO. 16)	**3,005.05**	1,418.72
Summary of significant accounting policies 2.1		

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
ICAI Firm Registration Number: 301003E

per Manoj Kumar Gupta
Partner
Membership No. 83906

Place : Noida
Dated : September 6, 2014

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

Ravi Jhunjhunwala
Director
DIN: 00060972

Tima Iyer Utne
Director
DIN:-06839949

O. P. Ajmera
Chief Executive Officer

Narayan Lodha
Company Secretary
M.No.: 32746

Place : Noida
Date : September 6, 2014

NOTES TO THE FINANCIAL STATEMENTS

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 Companies (Accounting Standards) Rules, 2006, (as amended) read with General circular 8/2014 dated 4th April,2014 issued by Ministry of Corporate affairs 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. Any trade discounts and rebates are deducted in arriving at the purchase price.

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. The company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the company's cash-generating units to which the individual assets are allocated.

(d) Depreciation on tangible fixed assets

(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)
Roads	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 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
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

Equity Shares

	As at 31 March 2014		As at 31 March 2013	
	No. of shares	Amount (₹ in lakhs)	No. of shares	Amount (₹ in lakhs)
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 2014		As at 31 March 2013	
	No. of shares	Amount (₹ in lakhs)	No. of shares	Amount (₹ in lakhs)
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 2014		As at 31 March 2013	
	No. of shares	% Holding	No. of shares	% Holding
Name of the Share Holders				
Malana Power Company Limited	**492,955,640**	**88.00%**	492,955,640	88.00%
International Finance Corporation, Washington	**67,197,201**	**12.00%**	67,197,201	12.00%

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

4. RESERVES AND SURPLUS

	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	**(19,426.51)**	(16,842.07)
Add loss for the year	**(4,905.53)**	(2,584.44)
Net deficit in the statement of profit and loss	**(24,332.04)**	(19,426.51)
Total reserves and surplus	**(24,332.04)**	(19,426.51)

5. LONG TERM BORROWINGS

	Non current portion		Current maturities	
	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Redeemable Non-Convertible Debentures	**7,556.68**	**–**	–	–
No of debenture 7,55,668 (previous year Nil) of ₹ 1000 each				
Term loans				
From banks (secured)	**43,433.39**	**49,591.78**	6,158.39	5,675.00
From financial institution (secured)	**23,859.15**	**33,588.89**	9,729.73	4,518.33
Other loan and advances				
Loan and advances from related party - holding company (unsecured)	**46,380.00**	**46,380.00**	–	–
TOTAL	**121,229.22**	**129,560.67**	15,888.12	10,193.33
The above amount includes				
Secured borrowings	**74,849.23**	**83,180.67**	15,888.12	10,193.33
Unsecured borrowings	**46,380.00**	**46,380.00**	–	–
Amount disclosed under the head "other current liabilities" - (Note 8)	**–**	**–**	(15,888.12)	(10,193.33)
	121,229.23	**129,560.67**	–	–

Redeemable Debenture amounting to ₹ 7,556.68 lakhs (previous year nil) represent Debenture issued to IL&FS Infrastructure Debt Fund (IDF) during the financial year 2013-14. The debentures carries interest rate of 12% per annum (previous year nil) (floating) and were issued at a discount of 0.75%. The Debenture is redeemable in unequal two installment in a year starting from June 2017 to December 2024 with installment ranging from ₹ 327.44 lakhs to ₹ 3143.58 lakhs. (refer note 40)

The above debenture issued to IDF are secured by way of a Second 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 in case of default in repayment and has also given negative pledge of its investment in the Company.

The Company has taken Indian Rupee term loans from various banks amounting to ₹ 45,216.78 lakhs (previous year ₹ 50,391.78.00 lakhs) 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 installment starting from October 1, 2010.

The Company has also taken Indian Rupee term loans from a bank amounting to ₹ 4,375.00 lakhs (previous year ₹ 4,875.00 lakhs) having interest rate of 11.50% to 11.80% per annum (floating) (previous year 11.50% per annum). This loan is repayable in 46 equal Quarterly principal payments of ₹ 125 Lakhs from October 1, 2011.

Term loan from a financial institution (represents loan from IFC, Washington, a minority shareholder) of ₹ 8,574.77 lakhs (previous year ₹ 9,505.18 lakhs) 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 ₹ 17,514.12 lakhs (previous year Rs 18,602.04 lakhs) 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 of ₹ 49,591.78 lakhs and IFC of ₹ 8,574.77 lakhs 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 ₹ 7,500 lakhs (previous year ₹ 10,000 lakhs) from Aditya Birla Finance Limited. This loan carries interest 13.27% (previous year 13.02%) per annum (floating). The loan is repayable in 12 equal structured quarterly principal payment of ₹ 833.33 lakhs 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 including 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 between the company and holding company. 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 an inerest of 11% p.a., which has been waived by holding company (also refer Note 33 of the financial statements).

6. OTHER LONG TERM LIABILITIES

	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Interest accrued but not due on loan from holding company (refer note 33)	**7,461.13**	7,461.13
TOTAL	**7,461.13**	7,461.13

7. PROVISIONS

	Long term		Short term	
	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Provision for employee benefits				
Provision for gratuity (refer note 29)	**–**	–	**13.68**	9.96
Provision for leave benefits	**70.79**	64.93	**1.89**	5.91
Provision for continuity linked bonus	**29.64**	31.97	**–**	35.52
TOTAL	**100.43**	96.90	**15.57**	51.39

8. TRADE PAYABLE AND OTHER CURRENT LIABILITIES

	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Trade payable (refer note 28 details of dues to micro and small enterprises)	**1,063.57**	960.29
Other current liabilities		
Capital creditors	**326.40**	1,026.18
Current maturities of long term borrowings	**15,888.12**	10,193.33
Deposit from contractors and others	**5.75**	8.12
Due to holding company	**–**	2.59
Interest accrued but not due on loan from financial institution	**537.42**	586.11
Statutory dues payable	**171.58**	103.20
TOTAL	**16,929.27**	11,919.53

9. TANGIBLE ASSETS

(₹ in Lacs)

Particulars	Freehold land (also refer note)	Freehold Building	Civil Work	Transmission Line	Plant and Machinery	Project equipment	Electrical installation	Office equipments	Furniture and Fixtures	Computers	Vehicles	Total (Tangible Assets)
	Tangible Assets											
At Cost												
As at 1 April 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
Additions	57.63	-	519.08	206.94	211.83	0.04	110.65	51.44	5.57	2.88	-	1,166.07
Disposals	-	-	-	-	-	-	-	-	-	-	16.53	16.53
As at 31 March 2014	**3,090.85**	**27,079.46**	**83,651.31**	**42,367.20**	**49,088.00**	**76.69**	**450.75**	**125.88**	**268.26**	**115.85**	**117.22**	**206,431.45**
Depreciation												
As at 1 April 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
Charge for the year	-	2,465.91	4,410.97	2,254.68	2,622.40	5.09	36.51	32.10	8.20	5.90	7.72	11,849.50
Disposals	-	-	-	-	-	-	-	-	-	-	9.12	9.12
As at 31 March 2014		**7,020.30**	**14,232.70**	**7,728.12**	**9,503.51**	**51.03**	**143.54**	**78.53**	**167.39**	**104.25**	**96.05**	**39,125.41**
Net Block												-
As at 31 March 2014	**3,090.85**	**20,059.16**	**69,418.61**	**34,639.08**	**39,584.50**	**25.66**	**307.21**	**47.35**	**100.87**	**11.59**	**21.16**	**167,306.04**
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

Notes :

1. Gross block of transmission line includes payment for 'Right to use' amounting to ₹ 5,253.98 lakhs. Right to use' is a irrevocable perpetual right of use of land, but the ownership of land does not vest with the Company.
2. Land includes ₹ 3,066.16 lakhs 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.

10. CAPITAL WORK IN PROGRESS

(₹ in lakhs)

PARTICULARS	As at March 31, 2013	Additions / Adjustments during the year	Capitalised during the year	As at March 31, 2014
Plant & Machinery			–	
Transmission Line	–	206.94	206.94	–
Assets under capitalisation	116.49	302.43	418.93	–
Capital stocks	14.22	85.93	100.15	–
– includes stocks lying with third parties Rs Nil lakhs (Previous year ₹ 14.22 lakhs)				
Total	130.71	595.30	726.02	–

11. LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	Non Current		Current	
	As at 31 March 2014 (₹ in lakhs)	**As at 31 March 2013 (₹ in lakhs)**	**As at 31 March 2014 (₹ in lakhs)**	**As at 31 March 2013 (₹ in lakhs)**
Capital advances	**–**	–	**–**	126.95
Advance tax, tax deducted at source (net of provision for tax ₹ 14.95 lakhs)	**130.87**	102.77	**–**	–
Loans to employees	**33.90**	36.39	**10.01**	7.39
Security deposits	**25.13**	25.13	**–**	–
Advances recoverable in cash or in kind for value to be received	**–**	–	**264.78**	712.10
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	**189.90**	492.47	**274.79**	846.44

12. OTHER NON CURRENT ASSETS

	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Balance with Banks:		
Deposits with original maturity period of more than 12 months	**2.00**	42.63
Fixed deposit of ₹ 2.00 lakhs (previous year ₹ 2.00 lakhs) pledged with the H.P. Government Sales Tax Department		
TOTAL	**2.00**	42.63

13. INVENTORIES
(valued at lower of cost and net realisable value)

	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Stores and spares [including stock lying with third parties ₹ 0.16 lakhs (previous year ₹ Nil lakhs)]	**1,345.01**	1,348.67
Scrap	**29.17**	27.41
TOTAL	**1,374.18**	1,376.08

14. TRADE RECEIVABLES
(Unsecured, considered good unless stated otherwise)

	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Outstanding for a period exceeding six months from the date they are due for payment [refer note 37 and 38 (a)]	**2,166.31**	316.68
Other receivables (refer note 37)	**1,450.88**	1,815.19
TOTAL	**3,617.19**	2,131.87

15. CASH AND BANK BALANCES

	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Cash and cash equivalents		
Balances with banks in:		
– Current accounts	**691.60**	1,416.89
– Deposits with original maturity of less than 3 months	**2,310.00**	–
Cash on hand	**3.45**	1.84
	3,005.05	1,418.73
Other bank balances		
Margin money (held as security)	**856.43**	40.63
Bank Deposits with original maturity of more than 3 months and upto a period of 12 months maturity.	**0.40**	–
Deposits with original maturity for more than 12 months	**2.00**	2.00
	858.83	42.63
Less: Amount disclosed under non current assets (note 12)	**(2.00)**	(42.63)
TOTAL	**3,861.87**	1,418.73

16. OTHER CURRENT ASSETS

	As at 31 March 2014 (₹ in lakhs)	As at 31 March 2013 (₹ in lakhs)
Interest accrued on banks deposits	**15.42**	3.54
Fixed assets (project equipment) held for sale (at net book value or estimated net realisable value, whichever is lower)	**1,841.03**	2,199.32
TOTAL	**1,856.45**	2,202.86

17. REVENUE FROM OPERATIONS

	For the Year ended 31 March 2014 (₹ in lakhs)	For the year ended 31 March 2013 (₹ in lakhs)
Revenue from Operations		
Sale of Power		
Revenue from Operations (Gross)	**17,472.74**	20,641.42
Less : Discount on prompt payments	**(226.87)**	(352.89)
Less : Handling charges (NRLDC/ULDC charges)/PTC professional charges	**(115.22)**	(57.72)
Less : Unscheduled interchange (charges) / credit	**229.73**	116.91
Other operating income		
Transmission charges received (refer note 37)	**2,773.65**	2,787.05
Revenue from Operations (Net)	**20,134.03**	23,134.77

18. OTHER INCOME

	For the Year ended 31 March 2014 (₹ in lakhs)	For the year ended 31 March 2013 (₹ in lakhs)
Interest income on		
Bank deposits	**209.95**	88.01
Others	**44.38**	87.88
Sale of certified emission reductions	**3,349.62**	2,771.78
Expenses on sale of certified emission reductions	**(77.53)**	(86.07)
Profit on sale of assets	**-**	5.50
Miscellaneous income	**27.46**	72.95
TOTAL	**3,553.88**	2,940.05

19. EMPLOYEE BENEFITS EXPENSES

	For the Year ended 31 March 2014 (₹ in lakhs)	For the year ended 31 March 2013 (₹ in lakhs)
Salaries, wages and bonus	**937.36**	1,086.44
Director's remuneration	**37.64**	40.02
Contribution to provident and other funds	**52.89**	53.93
Gratuity expenses (refer note 29)	**15.68**	9.96
Leave compensation expenses	**9.47**	6.66
Workmen and staff welfare expenses	**85.65**	97.96
TOTAL	**1,138.69**	1,294.97

20. OTHER EXPENSES

	For the Year ended 31 March 2014 (₹ in lakhs)	For the year ended 31 March 2013 (₹ in lakhs)
Stores, spares & other consumables	**286.24**	355.22
Rent	**57.27**	71.85
Power and fuel	**74.20**	95.29
Repair and maintenance		
– Buildings	**0.02**	0.14
– Civil works	**238.97**	240.98
– Plant and machinery	**136.31**	57.25
– Others	**26.45**	228.29
Rates and taxes	**4.84**	25.76

	For the Year ended 31 March 2014 (₹ in lakhs)	For the year ended 31 March 2013 (₹ in lakhs)
Insurance	**374.75**	382.62
Payment to auditor	**16.25**	17.27
Traveling and conveyance	**43.56**	59.21
Legal and professional expenses	**147.59**	263.40
Security arrangement expense	**145.36**	159.28
Exchange fluctuation (net)	**0.03**	8.64
Social welfare expenses	**96.11**	148.20
Vehicle running & hiring expenses	**175.42**	198.67
Loss on sale of Assets/Assets written off	**0.70**	–
Miscellaneous expenses	**168.91**	140.77
TOTAL	**1,992.98**	2,452.84
Payment to auditor		
As auditor:		
– Audit fee	**6.75**	6.75
– Fees for international reporting	**4.49**	4.49
In other capacity		
– Fees for other services	**3.37**	3.37
– Fees for certification	**–**	0.86
– Out of pocket expenses	**1.64**	1.80
	16.25	17.26

21. DEPRECIATION EXPENSE

	For the Year ended 31 March 2014 (₹ in lakhs)	For the year ended 31 March 2013 (₹ in lakhs)
Depreciation on tangible assets	**11,849.50**	11,697.30
TOTAL	**11,849.50**	11,697.30

22. FINANCE COST

	For the Year ended 31 March 2014 (₹ in lakhs)	For the year ended 31 March 2013 (₹ in lakhs)
Interest		
– On term loan	**9,943.51**	10,283.83
– On debentures	**61.61**	–
– On Income Tax	**3.21**	–
– Other borrowing cost (including discount on issue of debenture of ₹ 56.68 lakhs)	**67.88**	–
– Financial and Bank Charges	**66.25**	212.06
TOTAL	**10,142.46**	10,495.89

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

	For the Year ended 31 March 2014 (₹ in lakhs)	For the year ended 31 March 2013 (₹ in lakhs)
The following reflects the profit and share data used in the basic and diluted EPS computations:	**(4,905.53)**	(2,584.44)
Profit/ (loss) after tax as per statement of profit and loss	**5,601.53**	5,601.53
Weighted average number of equity shares in calculating basic and diluted EPS	**(0.88)**	(0.46)
Basic and diluted earnings / (loss) per share in Rupees		

24. 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.

25. 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 (Subsequently Statkraft Holding Singapore PTE Limited from July 2014) 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 lakhs)

Nature of Transaction	Ultimate Holding Company		Holding Company/ Enterprises having significant influence over the Company		Key Management Personnel*		Fellow Subsidiary	
	2013–14	2012–13	**2013–14**	2012–13	**2013–14**	2012–13	**2013–14**	2012–13
Transactions during the year								
Remuneration paid to Mr. RP Goel	**–**	–	**–**	–	**41.64**	40.02	**–**	–
Consultancy charges to Indo Canadian Consultancy Services Limited	**–**	–	**–**	–	**–**	–	**34.64**	54.18
Consultancy charges to SN Power Global Services Pte. Limited	**–**	–	**–**	27.25	**–**	–	**–**	–
Reimbursement of expenses incurred by Malana Power Company Limited on behalf of the Company	**–**	–	**6.21**	5.36	**–**	–	**–**	–
Purchase of Land from Malana Power Company Limited	**–**	–	**12.00**	–	**–**	–	**–**	–
Sale of Inventory to Malana Power Company Limited	**–**	–	**2.40**	–	**–**	–	**–**	–
Reimbursement of expenses incurred on behalf of Malana Power Company Limited	**–**	–	**16.66**	28.45	**–**	–	**–**	–
Reimbursement of expenses incurred by Indo Canadian Consultancy Services Limited on behalf of the Company	**–**	–	**–**	–	**–**	–	**0.03**	–
Reimbursement of expenses incurred on behalf of Indo Canadian Consultancy Services Limited	**–**	–	**–**	–	**–**	–	**–**	–
Reimbursement of expenses incurred by Statkraft Norfund Power Invest Norway on behalf of the Company	**–**	–	**0.85**	2.11	**–**	–	**–**	–
Reimbursement of expenses incurred by S N Power Global Service Pte Ltd Singapore on behalf of the Company	**–**	–	**2.07**	–	**–**	–	**–**	–
Reimbursement of expenses incurred by S N Power India on behalf of the Company	**–**	–	**0.92**	–	**–**	–	**–**	–
Reimbursement of expenses incurred by Bhilwara Energy Limited on behalf of the Company	**0.26**	0.29	**–**	–				
	–	–	**–**	–				

(₹ In lakhs)

Nature of Transaction	Ultimate Holding Company		Holding Company/ Enterprises having significant influence over the Company		Key Management Personnel*		Fellow Subsidiary	
	2013–14	2012–13	**2013–14**	2012–13	**2013–14**	2012–13	**2013–14**	2012–13
Reimbursement of expenses incurred on behalf of Bhilwara Energy Limited	**0.97**	14.42	**–**	–	**–**	–	**–**	–
Unsecured Loan taken from Malana Power Company Limited	**–**	–	**1,487.12**					
	7,644.11	–	**–**	–	**–**			
Unsecured Loan repaid to Malana Power Company Limited	**–**	–	**1,488.85**	13,444.11	**–**	–	**–**	–
Balances outstanding as at the year end								
Balances Payable:								
Indo Canadian Consultancy Services Limited	**6.42**	–	**–**	–	**–**	–	**–**	–
Bhilwara Energy Limited	**–**	–	**–**	–	**–**	–	**–**	–
SN Power Global Services Pte. Limited	**–**	–	**–**	–				
	–	–	**–**	–				
Malana Power Company Limited (reimbursements)			**–**	2.59				
Unsecured Loan outstanding from Malana Power Company Limited	**–**	–	**46,380.00**	46,380.00	**–**	–	**–**	–
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.

**Malana Power Company Limited has given default corporate guarantee for loan availed by the company from IL&FS Infrastructure Debt Fund (IDF) in respect of debenture issued amounting to ₹ 7,556.68 lakhs (previous year Nil).

26. CAPITAL AND OTHER COMMITMENTS

Particulars	2013-14	2012-13
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**Nil**	430.25

Other Commitment

AD Hydro Power Limited has entered into Bulk Power Transmission Agreement with Powergrid Corporation of India Limited (Powergrid) to avail long term open access to the transmission system of Powergrid for transfer of power from Allain Duhangan HEP to Northern Region Constituents. The company has agreed to share and pay all the transmission charges of Powergrid for a period of 40 year from COD (commercial operation date) i.e July 29, 2010. This, being firm commitment, is recognized as an expense, on receipt of monthly bills from Powergrid, under the head 'Bulk power transmission charges' in the statement of profit and loss.

27. UNHEDGED FOREIGN CURRENCY EXPOSURE AT THE BALANCE SHEET DATE

Particulars	2013-14	2012-13
Creditor for engineering fees	**Nil**	Nil
Creditor for Supervisory Manpower Support	**Nil**	Nil

28. 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.

29. 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, 2014 (₹ in lakhs)**	For the year ended March 31, 2013 (₹ in lakhs)
Current Service Cost	**10.89**	10.30
Interest cost on benefit obligation	**5.21**	6.28
Expected return on plan assets	**(4.42)**	(4.68)
Net actuarial (gain)/loss recognised in the period	**3.99**	(1.94)
Past service cos	**–**	–
Net benefit expense	**15.68**	9.96
Actual return on plan assets	**(5.54)**	(6.97)

Balance Sheet

Particulars	**As at March 31, 2014 (₹ in lakhs)**	As at March 31, 2013 (₹ in lakhs)
Defined benefit obligation	**81.32**	65.18
Fair value of plan assets	**67.64**	55.22
Surplus / (Deficit)	**(13.68)**	(9.96)
Excess of actual over estimated	**1.13**	2.29
Less: Unrecognised past service cost	**–**	–
Net asset / (liability) recognized in Balance Sheet	**(13.68)**	(9.96)

Details of Provision for Gratuity:

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

Particulars	**As at March 31, 2014 (₹ in lakhs)**	As at March 31, 2013 (₹ in lakhs)
Opening defined benefit obligation	**65.18**	78.54
Interest cost	**5.21**	6.28
Current service cost	**10.89**	10.30
Benefits paid	**(5.08)**	(30.29)
Actuarial (gains)/ losses on obligation	**5.11**	0.35
Closing defined benefit obligation	**81.32**	65.18

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

Particulars	**As at March 31, 2014 (₹ in lakhs)**	As at March 31, 2013 (₹ in lakhs)
Opening fair value of plan assets	**55.22**	58.49
Expected return	**4.42**	4.68
Contributions by employer	**11.96**	20.05
Benefits paid	**(5.08)**	(30.29)
Actuarial gains / (losses)	**1.13**	2.29
Closing fair value of plan assets	**67.64**	55.22

The Defined benefit obligation amounting to ₹ 81.32 lakhs is funded by assets amounting to ₹ 67.64 lakhs and the Company expects to contribute ₹ 19.09 lakhs 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, 2014 %**	As at March 31, 2013 %
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, 2014 %**	For the year ended March 31, 2013 %
		%
Discount Rate	**8.50**	8.00
Expected rate of return on assets	**8.00**	8.00
Future Salary Increase	**6.00**	5.50
Withdrawal rate	**1 to 3**	1 to 3

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

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

	For the year ended March 31, 2014	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
Defined benefit obligation	**81.32**	65.18	78.54	63.90	56.90
Plan assets	**67.64**	55.22	58.49	43.49	45.78
Surplus / (deficit)	**(13.68)**	(9.96)	(20.05)	(20.41)	(11.12)
Experience adjustments on plan liabilities	**(5.00)**	(0.03)	(7.00)	(8.22)	(4.10)
Experience adjustments on plan assets	**1.12**	2.29	0.96	(0.48)	5.03

Defined Contribution Plan

Particulars	**2013–14 (₹ in lakhs)**	2012–13 (₹ in lakhs)
Contribution to Provident Fund	**42.72**	41.08
Contribution to Superannuation Fund	**6.22**	8.93
	48.94	50.01

30. The Company has incurred a loss of ₹ 4,905.53 lakhs during the year ended March 31, 2014 and has accumulated losses of ₹ 24,332.04 lakhs as at March 31, 2014. This is the fourth year of operation and second year when plant has operated at full capacity. Further losses have increased in current year from losses of ₹ 2584.44 lakhs of previous year Based on financial projections (including the projected tariff) arrived at after considering the past experience of running similar power project and renewable source of fuel, management believes that profits are expected to accrue on account of expected increase in tariff and hence, no adjustments are required to the carrying amount of fixed assets on account of impairment and the Company will have sufficient cash flow to meets its future obligations.

31. 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.

32. LEASES

In case of assets taken on Operating Lease:

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

Particulars	For the year ended March 31, 2014 (₹ in lakhs)	For the year ended March 31, 2013 (₹ in lakhs)
Lease payments for the year	**209.35**	264.59

33. The Company has taken loan from its holding company, Malana Power Company Limited of which ₹ 46,380.00 lakhs (₹ 46,380.00 lakhs in previous year) (principal amount) and ₹ 7,461.13 (₹ 7,461.13 lakhs in previous year) (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. Due to continuing loss during the year, interest amounting to ₹ 5,101.80 lakhs for the year ended March 31, 2014 (previous year ₹ 5,227.19 lakhs) has been waived by holding company.

34. EXPENDITURE IN FOREIGN CURRENCY (ACCRUAL BASIS)

Particulars	2013-14 (₹ in lakhs)	2012-13 (₹ in lakhs)
Legal and professional charges	**0.00**	36.58
Traveling and conveyance	**4.22**	1.89
Finance cost	**6.20**	5.47
Expenses on sale of CER expenses	**59.83**	49.49
Miscellaneous expenses	**0.47**	0.41

35. EARNINGS IN FOREIGN CURRENCY (ACCRUAL BASIS)

Particulars	2013-14 (₹ in lakhs)	2012-13 (₹ in lakhs)
Others (Sale of Certified Emission Rights)	**3349.62**	2,771.78

36. CIF VALUE OF IMPORTS:

Particulars	FY 2013-14	FY 2012-13
Purchase of Stores and Spares	**15.00**	–

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 10, 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 lakhs 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 ₹ 3,229.69 lakhs from EPPL as at March 31, 2014. 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 (IPTA).

Also per IPTA, the Company can charge interest @ 1.5% per month on the overdue amount. This interest aggregates to Rs 305 lakhs as at March 31, 2014 which has not been recorded in financial statements.

Based on discussion with lawyers and Supreme Court direction, the management is confident that the transmission charges income of ₹ 2,773.65 lakhs (previous year ₹ 2,787.05 lakhs) recorded in the financial statements is appropriate, entire amounts of ₹ 3,229.69 lakhs are receivable and any adjustments arising out of the final order on this matter, will not be material in relation to the financial statements.

38. CONTINGENT LIABILITIES

Particulars	2013-14 (₹ in lakhs)	2012-13 (₹ in lakhs)
Claim from customer not acknowledged as debts (for loss of revenue on sale of electricity to HPSEBL) (also refer (a) below	**316.68**	316.68
Demand under The Building & Other Construction Workers Welfare Cess Act, 1996 (refer note (b) below)	**1,300.33**	1,300.33
Demand under Local Area Development Fund (LADF) from Directorate of Energy, Government of Himachal Pradesh (also refer (c) below)	**1,427.00**	2,132.00
Demand raised by Directorate of fisheries. Himachal Pradesh (refer note (d) below)	**99.75**	–

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 the financial year 2010-11, due to forced shutdown of plant on account of water leakage observed from the pressure shaft near penstock, the Company could not generate power for 8 days to attend the problem of water leakage.

   The forced shutdown was taken after informing the customer HPSEBL well on time and generation schedule for this period of 8 days was also given as NIL.

   Further, on the day plant was shutdown there were heavy rains in Prini area (Manali town) which flooded the power plant.

   After doing the required repair works, the machine was restored for power generation on 8th day i.e. August 28, 2010. However HPSEBL, withheld a sum of ₹ 316.68 lakhs towards the cost of power which would have been produced and supplied to them during the period of shutdown.

   Management is of the view that there was no deviation from the schedule as the schedule was given as NIL for the period of shutdown and therefore the company was not under any obligation to supply the power during the period of shutdown. Further, the shutdown was taken as ‘forced shutdown’ due to the reasons beyond the control of the Company and thus, force majeure provisions are also applicable.

   Hence, the Company believes the decision of HPSEBL to withhold the due amount is not in line with the Power Purchase Agreement (PPA), the Company entered into with HPSEBL for sale of power.

   Also, the Company, for the above matter, has invoked arbitration vide letter dated July 25, 2014 and requested HPSEBL for the appointment of Arbitrator to decide the matter under the provisions of the Power Purchase Agreement entered into with HPSEBL read with Arbitration and Conciliation Act, 1996.

   The management 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) During the financial year 2012-2013, the Assessing Officer through its order dated January 23, 2013 has raised a demand of ₹1,459.00 lakhs under the Building & Other Construction Workers Welfare Cess Act, 1996 (BOCW) for the period from January 1, 2005 to July 31, 2012. The Company had already deposited a sum of ₹ 159.00 lakhs and filed a writ before the High Court of Himachal Pradesh for the remaining amount. During the hearing held on February 28, 2013, an interim Stay has been granted against the recovery.

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

c) 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 lakhs as per the DPR approved by CEA, Government of India. Therefore, the total liability of the Company is only ₹ 1,380.00 lakhs. Against this liability the company has already deposited/ incurred with the permission of competent authority ₹ 1,533.00 lakhs out of which an amount of ₹ 549 lakhs is being disputed by the concerned department even the same was approved by the then Deputy Commissioner.

   ii) However the Directorate of Energy Government of Himachal Pradesh is demanding the total amount of ₹ 2,411 lakhs being 1.5 % of the total completed cost in terms of Hydro Power Policy 2006 of the Government of Himachal Pradesh. Accordingly the Directorate of Energy has demanded the net amount of ₹ 1,427 lakhs after adjusting the amount already/incurred of ₹ 984 lakhs

iii) The Company, being not liable to abide by the subsequent provision in the Hydro Power Policy of 2006 for LADF contribution, is contesting the matter in High Court of Himachal Pradesh on which The Hon'ble High Court has already granted stay on the demand by the Directorate of Energy Government of Himachal Pradesh..

Pending decision of the High Court, no additional provision has been deemed necessary in the financial statements in this regard.

d) The Department of fisheries vide it letter dated January 4, 2013 directed the company to pay ₹ 99.75 lakhs for granting of NOC. The company has filed a writ petition in Hon'ble High Court of Shimla and is contesting the same on the ground that it was not a precondition given by Fisheries department while granting the NOC. The streams are not covered in the negative list issued by Fisheries Department.

The Company has deposited an amount of ₹ 35.00 lakhs as per interim order of Hon'ble High Court of Shimla. The Hon'ble High Court of Shimla has granted stay on balance amount.

39. Imported and indigenous stores and spare parts consumed (included under 'statement of profit & loss account'):

	Percentage of total consumption		**Value (Rs. lakhs)**	
Stores & Spares	**March 2014**	March 2013	**March 2014**	March 2013
Imported	**Nil**	0.04	**Nil**	1.25
Indigenously obtained	**100**	99.96	**389.81**	324.63
	100	100.00	**389.81**	325.88

40. In absence of profit the company has not created any debenture redemption reserve in the current year.

41. 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
ICAI Firm Registration Number: 301003E

per Manoj Kumar Gupta
Partner
Membership No. 83906

Place : Noida
Dated : September 6, 2014

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

Ravi Jhunjhunwala
Director
DIN: 00060972

Tima Iyer Utne
Director
DIN:-06839949

O. P. Ajmera
Chief Executive Officer

Narayan Lodha
Company Secretary
M.No.: 32746

Place : Noida
Date : September 6, 2014