

# ***MALANA POWER COMPANY LIMITED***

***CIN No. : U40101HP1997PLC019959***

## ***Financial Statement***

***2017 - 18***

***31st, March 2018***

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**INDEPENDENT AUDITOR'S REPORT  
To The Members of Malana Power Company Limited**

**Report on the Standalone Ind AS Financial Statements**

We have audited the accompanying standalone Ind AS financial statements of Malana Power Company Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Standalone Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS 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 standalone Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder and the Order issued under section 143(11) of the Act.

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.



## **Deloitte Haskins & Sells LLP**

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

### **Report on Other Legal and Regulatory Requirements**

1. As required by Section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
- d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
- e) On the basis of the written representations received from the directors of the Company as on March 31, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:



- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements –Refer Note 31.1(i), 36(i), 36(ii), 36(iii) to the standalone Ind AS financial statements.
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. –Refer Note 31.2 to the standalone Ind AS financial statements.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

**For Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)

**Vijay Agarwal**

(Partner)

(Membership No. 094468)

*K*

Place: Noida

Date: April 25, 2018



**ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Malana Power Company Limited ("the Company") as of March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)

**Vijay Agarwal**

(Membership No. 094468)

K

Place: Noida

Date: April 25, 2018



**ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.
  - (c) According to the information and explanations given to us and the records examined by us and based on the examination of the award letter and certificate of mutation provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings, are held in the name of the Company as at the balance sheet date which are pending for registration/mutation in favour of the Company. Further, immovable properties of land and buildings whose title deeds have been pledged as security for term loans are held in the name of the Company based on the confirmation received from IDBI Trusteeship Services Limited (the security trustee).
- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- (iii) According to the information and explanations given to us, the Company has granted unsecured loans to a subsidiary company i.e. AD Hydro Power Limited covered in the register maintained under section 189 of the Companies Act, 2013, in respect of which:
- (a) The terms and conditions of the grant of such loan are, in our opinion, *prima facie*, not prejudicial to the Company's interest.
  - (b) As informed to us and as per the terms of subordinated Loan agreement between the Company and AD Hydro Power Limited, the loan granted and interest thereon is repayable only once all obligations to the senior lenders have been paid and discharged in full. Accordingly, the amount is not due and thus there has been no default on the part of the parties to whom the money has been lent.
  - (c) There is no overdue amount as at the Balance sheet date.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of sections 185 and 186 of the Companies Act, 2013 are applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013.



- (vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, *prima facie*, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- The Company is regular in depositing undisputed statutory dues including Provident Fund, Sales-tax, Service tax, Customs duty, Value Added Tax/Goods and Service Tax, cess and other statutory dues applicable to it to appropriate authorities other than Income-tax in which the Company is generally been regular. The provisions relating to Employees' State Insurance and Excise Duty are not applicable to the Company.
  - There were no undisputed amounts payable in respect of Provident Fund, Income-tax, Sales-tax, Service tax, Customs duty, Value Added Tax/Goods and service Tax, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.
  - There are no dues of Sales Tax, Service Tax, Customs Duty and Value Added Tax/Goods and Service Tax as on March 31, 2018 on account of disputes. Details of dues of Income-tax which have not been deposited as on March 31, 2018 on account of disputes are given below:

Name of the Statute	Nature of the Dues	Amount involved (Rs. in lacs)	Amount unpaid (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income-tax	72.36	61.68	(A.Y.) 2013-14, 2014-15	CIT (Appeals)

The following matter has been decided in favor of the Company, although the department has preferred appeals at higher levels:

Name of the Statute	Nature of the Dues	Amount involved (Rs. in lacs)	Amount unpaid (Rs. in lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income-tax	141.52	23.78	(A.Y.) 2009-10*, 2011-12, 2012-13	Income Tax Appellate Tribunal, New Delhi

\* Demand for the A.Y. 2009-10 has been adjusted by the Assessing Officer against refunds for subsequent assessment year, the Company has contested the same.





- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions. The Company has not issued any debentures.
- (ix) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year. Further, according to the information and explanations given to us, the Company does not have unutilized money raised by way of term loans as at the beginning of the reporting period hence reporting under clause (ix) of the CARO 2016 is not applicable.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding, subsidiary company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

**FOR DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Vijay Agarwal**  
Partner  
(Membership No. 094468)

Place: Noida  
Date: April 25, 2018



(₹ in lakhs)

Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
(a) Property, plant and equipment	3	11,804.19	12,186.20
(b) Intangible assets	4	47.48	0.96
(c) Capital work in progress		2.25	-
(d) Financial assets			
(i) Investments	5	49,295.56	49,295.56
(ii) Loans	6	46,446.52	46,431.77
(iii) Others	7	23,817.00	19,225.38
(e) Asset for current tax (net)	13	-	115.46
(f) Deferred tax assets (net)		1,908.66	-
(g) Other non-current assets	8	1,000.00	-
		<b>134,321.66</b>	<b>127,255.33</b>
<b>2 Current assets</b>			
(a) Inventories	9	236.45	218.75
(b) Financial assets			
(i) Trade receivables	10	299.78	396.36
(ii) Cash and cash equivalents	11	433.06	1,985.64
(iii) Bank balances other than (ii) above	12	3,786.18	32.18
(iv) Loans	6	25.38	7.03
(v) Other	7	68.53	6.25
(c) Other current assets	8	82.43	51.91
		<b>4,931.81</b>	<b>2,698.12</b>
<b>Total assets</b>		<b>139,253.47</b>	<b>129,953.45</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
(a) Equity share capital	15	14,752.57	14,752.57
(b) Other equity	16		
(i) Securities Premium Reserve		32,545.67	32,545.67
(ii) Retained Earnings		71,888.75	59,986.36
<b>Total equity</b>		<b>119,186.99</b>	<b>107,284.60</b>
<b>LIABILITIES</b>			
<b>1 Non-current liabilities</b>			
(a) Financial liabilities			
(i) Borrowings	14	18,096.04	18,530.61
(b) Provisions	17	122.17	79.00
(c) Deferred tax liabilities (net)	18	-	2,827.31
		<b>18,218.21</b>	<b>21,436.92</b>
<b>2 Current liabilities</b>			
(a) Financial liabilities			
(i) Trade payables	19	1,057.06	709.90
(ii) Other financial liabilities	20	449.82	448.67
(b) Other current liabilities	21	44.71	48.46
(c) Provisions	17	24.81	24.90
(d) Current tax liabilities (net)	13	271.87	-
		<b>1,848.27</b>	<b>1,231.93</b>
<b>Total equity and liabilities</b>		<b>139,253.47</b>	<b>129,953.45</b>

Summary of significant accounting policies

2.2

The accompanying notes are an integral part of the financial statements.

In terms of our report attached

For Deloitte Haskins & Sells LLP

ICAI Firm Registration Number: 117366W/W-100018

Chartered Accountants

Vijay Agarwal

Partner

Membership No. : 094468



For and on behalf of the Board of Directors of Malana Power Company Limited

Ravi Jhunjhunwala

Chairman and Managing Director

DIN:-00060972

O.P. Ajmera

CEO and CFO

Place: Noida

Date: April 25, 2018

Knut Leif Bredo

Ericksen

Director

DIN:-07270992

Arvind Gupta

Company Secretary

M.No.-F7690



Place: Noida  
Date: April 25, 2018

**Malana Power Company Limited**  
**Statement of Profit and Loss for the year ended March 31, 2018**

(₹ in lakhs)			
Particulars	Note No.	For the year ended March 31, 2018	For the year ended March 31, 2017
I Revenue from operations	22	8,433.93	7,796.93
II Other Income	23	5,457.74	5,418.50
III Total Income (I+II)		13,891.67	13,215.43
IV Expenses			
Wheeling Cost		273.70	279.03
Open access charges		475.10	458.65
Employee benefits expense	24	1,032.52	928.35
Finance costs	25	1,830.88	2,223.41
Depreciation and amortisation expense	26	422.07	414.30
Other expenses	27	736.81	1,039.12
Total expenses		4,771.08	5,342.86
V Profit before tax (III-IV)		9,120.59	7,872.57
VI Tax Expense			
Current Tax	28	3,233.76	2,813.33
Less: MAT Credit utilised during the year	28	(1,287.28)	(1,133.20)
Less: MAT Credit recognised related to prior years	28	(4,153.78)	-
Deferred tax		(579.95)	(291.25)
Income tax expense		(2,787.25)	1,388.88
VII Profit for the year (V-VI)		11,907.84	6,483.69
VIII Other comprehensive income			
Items that will not be reclassified to profit or loss:			
-Re-measurement losses on defined benefit plans (net of taxes)		(5.45)	(9.97)
Other comprehensive income for the year		(5.45)	(9.97)
IX Total comprehensive income for the year, net of tax (VII+VIII)		11,902.39	6,473.72

Earnings per equity share

Basic

29

8.07

4.39

Diluted

29

8.07

4.39

Summary of significant accounting policies

2.2

The accompanying notes are an integral part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells LLP

ICAI Firm Registration Number: 117366W/W-100018

Chartered Accountants

Vijay Agarwal

Partner

Membership No. : 094468



For and on behalf of the Board of Directors of Malana Power Company Limited

Ravi Jhunjhunwala

Chairman and Managing Director  
DIN:-00060972

Knut Leif Bredo  
Erichsen

Director  
DIN:-07270992

O.P. Ajmera  
CEO and CFO

Place : Noida

Date : April 25, 2018

Arvind Gupta  
Company Secretary  
M.No.: F7690



Place : Noida  
Date : April 25, 2018

**Malana Power Company Limited**  
**Statement of Cash Flow for the year ended March 31,2018**

(₹ in Lakhs)

Particulars	March 31, 2018	March 31, 2017
<b>A. Cash flow from operating activities</b>		
Profit before tax	9,120.59	7,872.57
<b>Adjustment to reconcile profit before tax to net cash flows:</b>		
Depreciation and amortisation expense	422.07	414.30
Gain on disposal of property, plant and equipment	(0.27)	(2.10)
Provision for gratuity and compensated absences	58.56	6.58
Finance cost	1,830.88	2,223.41
Interest income	(5,364.12)	(5,247.82)
<b>Working Capital Adjustments:</b>		
(Increase) / Decrease in trade receivables	96.58	69.67
(Increase) / Decrease in financial assets - loans	(33.10)	(20.02)
(Increase) / Decrease in other financial assets	-	5.39
(Increase) / Decrease in other current assets	(1,030.52)	52.53
(Increase)/Decrease in Inventories	(17.70)	(1.70)
Increase / (Decrease) in trade payables	347.16	292.60
Increase / (Decrease) in other financial liabilities	1.54	(19.95)
Increase / (Decrease) in provisions	15.48	-
Increase / (Decrease) in other current liabilities	(3.75)	2.73
<b>Cash generated from operations</b>	<b>5,443.40</b>	<b>5,648.19</b>
<b>Income Tax Paid</b>	<b>(1,597.78)</b>	<b>(1,731.02)</b>
<b>Net cash flow from Operating Activities</b>	<b>3,845.62</b>	<b>3,917.17</b>
<b>B. Cash flow from investing activities</b>		
Purchase of property, plant and equipment.	(90.13)	(29.46)
Proceeds from sale of property, plant and equipment	1.57	5.11
Interest received	710.22	653.44
Bank balances not considered as cash & cash equivalents	(3,754)	-
<b>Net cash flow used in Investing Activities</b>	<b>(3,132.34)</b>	<b>629.09</b>
<b>C. Cash flow from financing activities</b>		
Repayments of borrowings	(434.57)	(534.84)
Interest paid	(1,831.29)	(2,076.43)
<b>Net cash (used) in financing activities</b>	<b>(2,265.86)</b>	<b>(2,611.27)</b>
Net increase/(decrease) in cash & cash equivalent	(1,552.58)	1,934.99
Cash and cash equivalent at the beginning of the year	1,985.64	50.65
<b>Cash and Cash equivalent at the end of the year</b>	<b>433.06</b>	<b>1,985.64</b>

In terms of our report attached

For Deloitte Haskins & Sells LLP

ICAI Firm Registration Number: 117366WV-100018  
Chartered Accountants

Vijay Agarwal  
Partner  
Membership No. : 094468



Ke

Place : Noida  
Date : April 25, 2018

For and on behalf of the Board of Directors of Malana Power Company Limited

Ravi Jhunjunwala  
Chairman and Managing Director  
DIN:-00060972

Knut Leif Bredo Erichsen  
Director  
DIN:-07270992

O.P. Ajmera  
CEO and CFO

Arvind Gupta  
Company Secretary  
M.No.:-F7690

Place : Noida  
Date : April 25, 2018



**Malana Power Company Limited**  
**Notes to Standalone Financial Statements for the year ended March 31, 2018**

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**1. Corporate information**

Malana Power Company Limited (hereinafter referred to as 'the Company') is engaged in the generation of hydroelectric power and development of hydro power projects. The Company has set up 86 MW hydroelectric power generation project. The Company has the necessary permission from the Government of Himachal Pradesh to own, operate & maintain the project and sell power for a period of forty years from the date of commercial operation i.e. July 5, 2001 with the option to avail a further extension for a maximum period of twenty years after renegotiation of terms and conditions.

**2. Significant accounting policies**

**2.1 Basis of preparation of financial statement**

The standalone financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India. These financial statements have been prepared under the historical cost basis. Figures for the previous year ended March 31, 2017 were audited by S.R Batliboi & Co. LLP

**2.2 Summary of significant accounting policies**

**a. Use of estimates**

The preparation of financial statements in conformity with Indian Accounting Standards (Ind AS) requires 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 end of the reporting period. 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.

**Critical accounting estimates and judgments:**

The areas involving critical estimates and judgments are:

**I. Service Concession Arrangements**

Management has assessed applicability of Appendix A of Ind AS 11: Service Concession Arrangements to power distribution arrangements entered into by the Company. In assessing the applicability, management has exercised significant judgment in relation to the underlying ownership of the asset, terms of the power distribution arrangements entered with the grantor, ability to determine prices, fair value of construction service, assessment of right to granted cash, significant residual interest in the infrastructure, etc. Based on detailed evaluation, management has determined that this arrangement does not meet the criterion for recognition as service concession arrangements.

**II. Useful lives and residual value of property, plant and equipment, intangible assets and Investment Properties**

Useful life and residual value are determined by the management based on a technical evaluation considering nature of asset, past experience, estimated usage of the asset, vendor's advice etc and same is reviewed periodically, including at each financial year end.



### **III. Deferred tax assets**

The Company reviews the carrying amount of deferred tax assets including MAT credit at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to utilize the deferred tax asset including MAT.

### **IV. Claims and Litigations**

The Company is the subject of lawsuits and claims arising in the ordinary course of business from time to time. The Company reviews any such legal proceedings and claims on an ongoing basis and follow appropriate accounting guidance when making accrual and disclosure decisions. The Company establishes accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and it discloses the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for the Company's financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, the Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. The Company does not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated. Based upon present information, the Company determined that there were no matters that required an accrual as of March 31, 2018 other than the accruals already recognized, nor were there any asserted or unasserted claims for which material losses are reasonably possible.

### **b. Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

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.

#### ***Transmission Income***

Revenue from transmission income is recognized on accrual basis.

#### ***Voluntary emission rights (VER)***

Revenue is recognized as and when the VER's are certified and ultimate collections are made for the same.





**Other Income****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 P&L.

**c. Inventory Valuation**

Inventories comprising of components, stores and spares are valued at lower of cost and net realizable value.

Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on weighted average basis.

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

**d. Property, Plant and Equipment**

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. It includes other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the company and the costs of the item can be measured reliably. Repairs and maintenance costs are charged to the statement of profit and loss when incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively.

**Depreciation:**

Depreciation on Property, plant and equipment is calculated on a straight-line basis using the rates arrived at based on the useful lives prescribed under Schedule II of the Companies Act 2013. The Company has used the following useful lives to provide depreciation on its fixed assets.

**Assets****Useful life (Years)**

Buildings other than factory buildings	60
Plant and Machinery used in generation, transmission and distribution of power	40
Hydraulic Works (Dam, Reservoir, Barrage etc)	40
Factory Buildings	30
Plant and Machinery	15



**Malana Power Company Limited****Notes to Standalone Financial Statements for the year ended March 31, 2018**

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Electrical Installations	10
Furniture and Fixtures	10
Roads	10
Vehicles	8
Computers and Data processing equipments	3-6
Office equipments	5
Software	3

The depreciation was provided in accordance with the Schedule II to the Companies Act, 2013.

**e. Intangible Assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight line basis over the estimated useful economic life of 3 to 5 years.

The intangible assets are assessed for impairment whenever there is indication that the intangible assets may be impaired. The amortization period and the amortization method are reviewed at least at each financial year end.

Gains or losses arising from recognition of an intangible asset 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.

**f. Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 April 2015, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

**Where the Company is the lessee**

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

**g. Impairment of Non-Financial 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) fair value less costs of disposal and its value in use. 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. When 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 fair value less costs of disposal, recent market transactions are taken into account. If no such transactions





**Malana Power Company Limited**  
**Notes to Standalone Financial Statements for the year ended March 31, 2018**

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can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used.

Impairment losses, including impairment on inventories, are recognised in the Statement of profit and loss.

For impairment of assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

**h. Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets**

**Initial recognition and measurement**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

**Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Debt instruments at amortised cost
- ▶ Debt instruments at fair value through other comprehensive income (FVTOCI)
- ▶ Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
- ▶ Equity instruments measured at fair value through other comprehensive income (FVTOCI)

**Debt instruments at amortised cost**

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

**Debt instrument at FVTOCI**

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- a) The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets, and



**Malana Power Company Limited**  
**Notes to Standalone Financial Statements for the year ended March 31, 2018**

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- b) The asset's contractual cash flows represent SPPI.

**Debt instrument at FVTPL**

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

**Equity investments**

All equity investments in scope of Ind AS 109 are measured at fair value. Equity instruments which are held for trading and contingent consideration recognised by an acquirer in a business combination to which Ind AS103 applies are classified as at FVTPL. For all other equity instruments, the company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable.

If the company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to P&L, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the P&L.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated balance sheet) when:

- ▶ The rights to receive cash flows from the asset have expired, or
- ▶ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

**Impairment of financial assets**

In accordance with Ind AS 109, the Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities, deposits, trade receivables and bank balance
- b) Trade receivables or any contractual right to receive cash or another financial asset

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables.



## **Malana Power Company Limited**

### **Notes to Standalone Financial Statements for the year ended March 31, 2018**

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The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss (P&L).

#### **Financial liabilities**

##### **Initial recognition and measurement**

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

##### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

##### **Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

##### **Loans and borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

This category generally applies to borrowings.

##### **Financial guarantee contracts**

Financial guarantees issued by the Company on behalf of subsidiary company are designated as 'Insurance Contracts'. The Company assess at the end of each reporting period whether its recognised insurance liabilities (if any) are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in profit or loss.

##### **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.



### **Reclassification of financial assets**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The company's senior management determines change in the business model as a result of external or internal changes which are significant to the company's operations. Such changes are evident to external parties. A change in the business model occurs when the company either begins or ceases to perform an activity that is significant to its operations. If the company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **i. Foreign currency translation**

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition. However, for practical reasons, the company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Exchange differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

#### **j. Retirement and other employee benefits**

##### **1. Defined Contribution Plan:**

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.

##### **2. Defined Benefit Plan:**

Gratuity liability is a defined benefit obligation and is provided for on the basis of actuarial valuation.





## Malana Power Company Limited

### Notes to Standalone Financial Statements for the year ended March 31, 2018

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.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

#### k. 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.

##### Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

##### Deferred Tax

Deferred tax is provided using the balance sheet approach on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose at reporting date. Deferred income tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred income tax assets and liabilities is recognized as income or expense in the period that includes the enactment or the substantive enactment date. A deferred income tax asset is recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilized.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow deferred tax assets to be recovered.

The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognised amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.



**l. Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

**m. Cash and cash equivalents**

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

**n. 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.

**o. Earning 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.

**p. Borrowing Cost**

Borrowing costs specifically relating to the acquisition or construction of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

For general borrowing used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period does not exceed the amount of borrowing cost incurred during that period.

All other borrowing costs are expensed in the period in which they occur.

**q. Fair Value measurement**



## Malana Power Company Limited

### Notes to Standalone Financial Statements for the year ended March 31, 2018

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The Company measures financial instruments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

As on the reporting date, the Company doesnot have any financial instrument which has been measured either through FVTPL or FVTOCI.

#### r. Current versus Non-Current

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

1. Expected to be realised or intended to be sold or consumed in normal operating cycle
2. Held primarily for the purpose of trading
3. Expected to be realised within twelve months after the reporting period, or
4. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

1. It is expected to be settled in normal operating cycle
2. It is held primarily for the purpose of trading
3. It is due to be settled within twelve months after the reporting period, or
4. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.



**Malana Power Company Limited**  
**Statement of Changes in Equity for the year ended March 31, 2018**

**(a) Equity share Capital**

Particulars	Number of shares (in lakhs)	(₹ in lakhs)
Equity shares of Rs 10 each issued, subscribed and fully paid		
As at April 1, 2016	1,475.26	14,752.57
Changes in Equity share capital during the year	-	-
As at March 31, 2017	1,475.26	14,752.57
Changes in Equity share capital during the year	-	-
As at March 31, 2018	1,475.26	14,752.57

**(b) Other Equity**

(₹ in lakhs)

Particulars	Reserves and Surplus		Total
	Securities premium reserve	Retained earnings	
As at April 1, 2016	32,545.67	53,512.64	86,058.31
Profit during the year	-	6,483.69	6,483.69
Other comprehensive income	-	(9.97)	(9.97)
- Remeasurements of the net defined benefit plans (net of tax)	-	6,473.72	6,473.72
Total comprehensive income as at March 31, 2017	-	6,473.72	6,473.72
As at March 31, 2017	32,545.67	59,986.36	92,532.03
As at March 31, 2017	32,545.67	59,986.36	92,532.03
Profit during the year	-	11,907.84	11,907.84
Other comprehensive income	-	(5.45)	(5.45)
- Remeasurements of the net defined benefit plans (net of tax)	-	11,902.39	11,902.39
Total comprehensive income as at March 31, 2018	-	11,902.39	11,902.39
As at March 31, 2018	32,545.67	71,888.75	104,434.42





Malana Power Company Limited  
Notes To The Financial Statements For The Year Ended March 31, 2018

3 Property, plant and equipment

Particulars	Hydraulic Work	Building Bridges and Roads	Computers & Networks	Electric Installations	Freehold Land	Furniture and Fixtures	Office Equipments	Plant & Machinery	Transmission Line	Vehicles	Total	Capital Work in progress
Gross Block	18,427.27	3,258.51	50.91	155.38	213.36	41.37	53.06	9,379.86	1,996.71	98.13	33,674.56	-
As at April 1, 2016	-	-	3.45	-	-	4.30	0.99	4.18	-	16.54	29.46	-
Additions	-	-	11.30	1.86	-	1.18	3.00	0.16	-	9.97	27.47	-
Disposals	-	-	43.06	153.52	213.36	44.49	51.05	9,383.88	1,996.71	104.70	33,676.55	-
As at March 31, 2017	-	-	10.07	-	-	1.50	5.35	7.97	-	12.54	37.43	2.25
Additions	-	-	10.13	-	-	0.80	-	0.09	-	7.75	18.77	-
Disposals	-	-	43.00	153.52	213.36	45.19	56.40	9,391.76	1,996.71	109.49	33,695.21	2.25
As at March 31, 2018	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
As at April 1, 2016	11,522.41	1,726.75	47.67	138.56	-	36.60	45.96	6,154.26	1,374.74	53.56	21,100.51	-
Charge for the year	235.98	33.86	1.25	4.42	-	0.77	1.43	109.16	20.65	6.78	414.30	-
Disposals	-	-	10.94	1.77	-	0.98	2.85	0.07	-	7.85	24.46	-
As at March 31, 2017	11,758.39	1,760.61	37.98	141.21	-	36.39	44.54	6,263.35	1,395.39	52.49	21,490.35	-
Charge for the year	236.75	33.87	1.53	0.32	-	0.68	4.24	111.87	20.66	8.22	-	-
Disposals	-	-	9.64	-	-	0.43	-	0.04	-	7.36	-	-
As at March 31, 2018	11,995.14	1,794.48	29.87	141.53	-	36.64	48.78	6,375.18	1,416.05	53.35	21,891.02	-
Net Block	-	-	-	-	-	-	-	-	-	-	-	-
As at April 1, 2016	6,904.86	1,531.76	3.24	16.82	213.36	4.77	7.10	3,225.60	621.97	44.57	12,574.05	-
As at March 31, 2017	6,668.88	1,497.90	5.08	12.31	213.36	8.10	6.51	3,120.53	601.32	52.21	12,186.20	-
As at March 31, 2018	6,432.13	1,464.03	13.13	11.99	213.36	8.55	7.62	3,016.58	580.66	56.14	11,804.19	2.25

Notes :

- 1) All the assets are owned by the company except as mentioned otherwise.
- 2) Building, bridges and roads includes cost of road ₹ 1,228.38 lakhs (Previous year ₹ 1,228.38 lakhs) and written down value of Rs.61.42 lakhs (previous year Rs.61.42 lakhs) constructed on forest land diverted for the project under irrevocable right to use.
- 3) Transmission Lines includes ₹ 41.81 lakhs (Previous year Rs. 41.81 lakhs) towards cost of land and compensation paid to Forest Department for construction of Transmission towers under irrevocable right to use.
- 4) Refer note - 14 for the information on Property, Plant and Equipment pledged as security.

4 Intangible Asset

Particulars	Computer software	Total
Gross Block	59.29	59.29
As at April 1, 2016	59.29	59.29
As at March 31, 2017	50.45	50.45
Addition	4.38	4.38
Disposals	105.36	105.36
As at March 31, 2018	58.33	58.33
Accumulated Amortisation	58.33	58.33
As at April 1, 2016	3.93	3.93
As at March 31, 2017	4.38	4.38
Charge for the year	57.88	57.88
Disposals	-	-
As at March 31, 2018	0.96	0.96
Net Block	47.48	47.48
As at April 1, 2016	-	-
As at March 31, 2017	-	-
As at March 31, 2018	-	-



**Malana Power Company Limited**  
**Notes To The Financial Statements For The Year Ended March 31, 2018**

**5. Investments (Non Current)**

(₹ in lakhs)

Particulars	As at March 31, 2018		As at March 31, 2017	
	Quantity (Nos.)	Amount (₹)	Quantity (Nos.)	Amount (₹)
49,29,55,640 (Previous year 49,29,55,640) equity shares of Rs.10 each fully paid of AD Hydro Power Limited (including beneficial owner of 49,890 shares) (pledged with security trustee on behalf of lenders of AD Hydro Power Limited)	492,955,640	49,295.56	492,955,640	49,295.56
<b>Total</b>	<b>492,955,640</b>	<b>49,295.56</b>	<b>492,955,640</b>	<b>49,295.56</b>

**6. Loans**

(₹ in lakhs)

Particulars	Non Current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
<b>Unsecured, considered good</b>				
a) Security deposits	5.05	30.05	-	-
b) Loan to subsidiary company	46,380.00	46,380.00	-	-
c) Loan to employees	61.47	21.72	25.38	7.03
<b>Total</b>	<b>46,446.52</b>	<b>46,431.77</b>	<b>25.38</b>	<b>7.03</b>

**7. Other financial assets**

(₹ in lakhs)

Particulars	Non-Current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
a) Advance for Bara Banghal project [including Rs 681.88 lakh(previous year Rs 681.88) towards consultancy and other expenses on the project] (Unsecured, considered doubtful)				
- Unsecured, considered good	3,060.00	3,060.00	-	-
-Unsecured, considered doubtful	3,741.84	3,741.84	-	-
Less : Provision against upfront premium (Refer Note- 35)	(3,741.84)	(3,741.84)	-	-
<b>Total (a)</b>	<b>3,060.00</b>	<b>3,060.00</b>	<b>-</b>	<b>-</b>
b) Others - Unsecured, considered good				
- Interest accrued on banks deposits	-	-	68.53	6.25
- Interest accrued on loan given to subsidiary company	20,735.99	16,144.37	-	-
- Surrender value of keyman insurance policy	21.01	21.01	-	-
<b>Total (b)</b>	<b>20,757.00</b>	<b>16,165.38</b>	<b>68.53</b>	<b>6.25</b>
<b>Total (a+b)</b>	<b>23,817.00</b>	<b>19,225.38</b>	<b>68.53</b>	<b>6.25</b>

**8. Other non current and current assets**

(₹ in lakhs)

Particulars	Non - current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
a) Others				
- Advances recoverable	-	-	78.89	49.32
- Advances to employees	-	-	3.54	2.59
- Balance with Government authorities	1,000.00	-	-	-
- Amount paid under protest*	-	-	-	-
<b>Total other assets</b>	<b>1,000.00</b>	<b>-</b>	<b>82.43</b>	<b>51.91</b>

\* Amount deposited under protest in favour of Registrar (General) High Court of Himachal Pradesh, Shimla (Refer note 36 (i))



9. Inventories (Lower of cost and net realizable value)

Particulars	(₹ in lakhs)	
	As at March 31, 2018	As at March 31, 2017
Stores and spares*	236.45	218.75
<b>Total</b>	<b>236.45</b>	<b>218.75</b>

\* Includes store lying with third parties ₹. Nil lakhs (previous year ₹ 1.17 lakhs)

10. Trade receivables

Particulars	(₹ in lakhs)	
	As at March 31, 2018	As at March 31, 2017
Trade receivable		
Unsecured, considered good	299.78	396.36
<b>Total</b>	<b>299.78</b>	<b>396.36</b>

Note : The average credit period for the Company's receivables from its generation and transmission business is in the range of 5 to 7 days

11. Cash and Cash Equivalents

Particulars	(₹ in lakhs)	
	As at March 31, 2018	As at March 31, 2017
(a) Balances with banks :		
- In Current Accounts	90.72	151.39
- In Deposit Accounts (with original maturity less than 3 months)	339.53	1,830.00
(b) Cash on hand	2.81	4.25
<b>Total</b>	<b>433.06</b>	<b>1,985.64</b>

12. Bank balances (other than cash and cash equivalents)

Particulars	(₹ in lakhs)	
	As at March 31, 2018	As at March 31, 2017
(a) In Earmarked Accounts (Deposits kept as margin money against borrowings)	30.18	30.18
(b) In Deposit Accounts (with original maturity more than 3 months but less than 12 months)	3,756.00	2.00
<b>Total</b>	<b>3,786.18</b>	<b>32.18</b>

13. Tax Assets / (Tax liabilities)

Particulars	(₹ in lakhs)	
	As at March 31, 2018	As at March 31, 2017
Advance Tax / TDS (net of provisions) classified as:		
- Assets for current taxes (net) in non-current Assets	-	115.46
- Current tax liabilities (net) in current liabilities	(271.87)	-
<b>Total</b>	<b>(271.87)</b>	<b>115.46</b>



#### 14. Non-Current Borrowings

(₹ in lakhs)

Particulars	Non - Current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
<b>Secured-Measured at amortised cost</b>				
(i) Term loans from financial institutions (Refer Note 14.1)	18,530.59	18,965.16	-	-
Current Maturities of long term borrowings #	(434.55)	(434.55)	-	-
<b>Total</b>	<b>18,096.04</b>	<b>18,530.61</b>	<b>-</b>	<b>-</b>

# Refer Note 20

#### 14.1 Summary of borrowings arrangements

(i) The terms of repayment of outstanding of term loans are stated below:

(₹ in lakhs)

Name of lender	Carrying Value	Last Maturity Date	Terms of repayment
<b>IDFC Infrastructure Finance Limited - 1</b>	4,680.48	30-Sep-29	Repayable in structured 54 quarterly installments commencing from 31st march 2017 and ending 30 September 2029
<b>IDFC Infrastructure Finance Limited - 2</b>	8,214.71	30-Sep-29	Repayable in structured 51 quarterly installments commencing from 31st march 2017 and ending 30 September 2029
<b>India Infradebt Limited</b>	5,635.40	30-Sep-29	Repayable in structured 51 quarterly installments commencing from 31st March 2017 and ending on 30th September 2029.
<b>Total</b>	<b>18,530.59</b>		

#### Security terms :

##### (i) IDFC Infrastructure Finance Ltd - 1

The Company had taken Indian Rupee term loans from IDFC Infrastructure Finance Ltd. carrying floating interest at ICICI bank base rate plus 0.675% currently @ 9.525% per annum (previous year @ 9.925% ) secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis.

##### (ii) IDFC Infrastructure Finance Ltd - 2

The Company has taken Indian Rupee term loans from IDFC Infrastructure Finance Ltd. carrying interest @ 9.65% per annum fixed for 5 years secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis.

##### (iii) India Infradebt Limited

The Company has taken Indian Rupee term loans from India Infradebt Ltd. carrying interest @ 9.65% per annum fixed for 5 years secured against first mortgage and charge on the movable and immovable assets both present and future on pari passu basis.

(iv) IDBI Trusteeship Services Limited is acting as the Security Trustee on behalf of the above two lenders and the charge is jointly created in its favour.



**Malana Power Company Limited**  
Notes to the financial statements for the year ended March 31, 2018

**15 Share capital**

Particulars	(₹ in lakhs)	
	As at March 31, 2018	As at March 31, 2017
<b>Authorised</b> 160,000,000 (previous year 160,000,000) equity shares of Rs. 10 each	16,000.00	16,000.00
<b>Issued, Subscribed and fully paid-up</b> 147,525,731 (previous year 147,525,731 ) equity shares of Rs 10 each fully paid	14,752.57	14,752.57
<b>Total</b>	<b>14,752.57</b>	<b>14,752.57</b>

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

Particulars	As at March 31, 2018		As at March 31, 2017	
	No. of shares	Amount (Rupees in lakhs)	No. of shares	Amount (Rupees in lakhs)
Shares outstanding at the beginning of the year	147,525,731	14,752.57	147,525,731	14,752.57
Shares Issued during the year	-	-	-	-
<b>Shares outstanding at the end of the year</b>	<b>147,525,731</b>	<b>14,752.57</b>	<b>147,525,731</b>	<b>14,752.57</b>

**(b) Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs.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**

Particulars	As at March 31, 2018		As at March 31, 2017	
	No. of shares	(₹ in lakhs)	No. of shares	(₹ in lakhs)
Bhilwara Energy Limited, the holding company	75,238,123	7,523.80	75,238,123	7,523.80

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

Particulars	As at March 31, 2018		As at March 31, 2017	
	No. of shares	% Holding	No. of shares	% Holding
<b>Name of the Share Holders</b>				
Bhilwara Energy Limited	75,238,123	51.00%	75,238,123	51.00%
Statkraft Holding Singapore Pte Limited	72,287,608	49.00%	72,287,608	49.00%

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

**16 Other Equity**

Particulars	(₹ in lakhs)
<b>Security premium Account</b>	
As at April 1, 2016	32,545.67
Additions during the year	-
As at March 31, 2017	32,545.67
Additions during the year	-
As at March 31, 2018	32,545.67
<b>Retained earnings</b>	(₹ in lakhs)
As at April 1, 2016	53,512.64
Profit for the year	6,483.69
Other comprehensive income	(9.97)
As at March 31, 2017	59,986.36
Profit for the year	11,907.84
Other comprehensive income	(5.45)
As at March 31, 2018	71,888.75



## 17. Provisions

(₹ in lakhs)

Particulars	Non - current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Provision for employee benefits	-	-	21.70	22.63
Provision for gratuity	122.17	79.00	3.11	2.27
Provision for compensated absences				
<b>Total</b>	<b>122.17</b>	<b>79.00</b>	<b>24.81</b>	<b>24.90</b>

## 18. Deferred tax assets / liabilities (net) \*

(₹ in lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
<b>A. Tax effects of items constituting deferred tax liability:</b>		
Property, plant & equipment	2,631.08	3,180.88
<b>Total Deferred tax liability (A)</b>	<b>2,631.08</b>	<b>3,180.88</b>
<b>B. Tax effects of items constituting deferred tax assets:</b>		
Others	(53.25)	(20.86)
MAT Credit entitlement	(4,486.49)	(332.71)
<b>Total Deferred tax asset (B)</b>	<b>(4,539.74)</b>	<b>(353.57)</b>
<b>Net Deferred tax (assets)/ liability (A+B)</b>	<b>(1,908.66)</b>	<b>2,827.31</b>

## 19. Trade payables

(₹ in lakhs)

Particulars	Current	
	As at March 31, 2018	As at March 31, 2017
Trade payable (see note below)		
- total outstanding dues of micro, small and medium enterprises	-	-
- total outstanding dues of creditors other than micro, small and medium enterprises	1,057.06	709.90
<b>Total</b>	<b>1,057.06</b>	<b>709.90</b>

Note:

i) According to the records available with the company dues payable to entities that are classified as Micro and Small Enterprises under the Micro, Small Medium Enterprises Development Act, 2006 during the year is ₹ NIL (previous year ₹ NIL). Accordingly, disclosures relating to amounts unpaid as year end together with the interest paid/payable as required under the said Act are not applicable. Further no interest has been paid or was payable to such parties under the said Act in the previous year.

## 20. Other financial liabilities

(₹ in lakhs)

Particulars	Non - current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
a) Current maturities of long term borrowings (Refer note 14)	-	-	434.55	434.55
b) Sundry deposits	-	-	10.76	9.22
c) Interest accrued but not due on loan from financial institution	-	-	4.49	4.90
<b>Total</b>	<b>-</b>	<b>-</b>	<b>449.80</b>	<b>448.67</b>

## 21. Other liabilities

(₹ in lakhs)

Particulars	Non - current		Current	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
Statutory liabilities (Contribution to PF, TDS, GST. etc.)	-	-	44.71	48.46
<b>Total</b>	<b>-</b>	<b>-</b>	<b>44.71</b>	<b>48.46</b>





## 22. Revenue from operations

Particulars	(₹ in lakhs)	
	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>Revenue from power supply and transmission charges</b>		
a) Revenue from power supply (gross)	8,469.97	7,844.63
Less : Discount on prompt payments	(59.37)	(70.38)
Less : Unscheduled interchange charges	(63.24)	(55.83)
<b>Total (a)</b>	<b>8,347.36</b>	<b>7,718.42</b>
b) Transmission income	86.57	78.51
<b>Total (b)</b>	<b>86.57</b>	<b>78.51</b>
<b>Net Revenue from Operations (a+b)</b>	<b>8,433.93</b>	<b>7,796.93</b>

## 23. Other income

Particulars	(₹ in lakhs)	
	For the year ended March 31, 2018	For the year ended March 31, 2017
<b>a) Interest income</b>		
i) Financial assets held at amortised cost		
- Interest on Bank Deposits	261.08	122.07
- Interest on Subordinate debt	5,101.80	5,101.80
- Interest on employee loan	0.82	0.28
ii) Others		
- Interest on income tax refund	0.42	23.67
<b>b) Others non operating income</b>		
- Sale of voluntary emission reductions (VER)	82.07	41.83
- Insurance claim	-	102.39
- Miscellaneous income	11.28	24.36
<b>c) Others gain and losses</b>		
- Gain on disposal of property, plant and equipment	0.27	2.10
<b>Other non-operating income</b>		
<b>Total</b>	<b>5,457.74</b>	<b>5,418.50</b>



#### 24. Employee benefits expenses

(₹ in lakhs)		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
a) Salaries, wages and bonus	694.55	616.87
b) Director's remuneration	239.48	220.66
c) Contribution to provident and other funds	45.37	42.10
d) Gratuity expenses	14.01	12.59
e) Workmen and staff welfare expenses	39.11	36.13
<b>Total</b>	<b>1,032.52</b>	<b>928.35</b>

#### 25. Finance costs

(₹ in lakhs)		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
a) Interest cost		
- Interest on term loans	1,815.08	2,176.27
- Interest on delayed payment of Income Tax	7.06	12.56
a) Other Borrowing cost		
- Bank charges	8.74	34.58
<b>Total</b>	<b>1,830.88</b>	<b>2,223.41</b>

#### 26. Depreciation and amortisation expense

(₹ in lakhs)		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
a) Depreciation on property, plant and equipment	418.14	414.30
b) Amortisation of intangible assets	3.93	-
<b>Total</b>	<b>422.07</b>	<b>414.30</b>

#### 27. Other expense

(₹ in lakhs)		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Stores, spares and other consumables	117.92	229.60
Rent expenses (Refer note 34)	17.45	21.17
Power and fuel	47.67	45.88
Repair and maintenance	-	-
- Buildings	9.03	6.53
- Plant and machinery	56.81	225.95
- Others	16.76	9.36
Rates and taxes	1.28	0.05
Insurance	92.90	114.66
Payment to auditor (Refer note (i) below)	15.29	18.92
Communication costs	13.81	15.96
Printing and stationery	6.75	6.59
Travelling and conveyance	66.96	69.72
Membership fees and subscriptions	1.89	13.75
Legal and professional fees	112.04	131.50
Social welfare expenses	0.79	4.34
CSR expenses (Refer note (ii) below)	59.50	28.42
Miscellaneous expenses	99.96	96.72
<b>Total</b>	<b>736.81</b>	<b>1,039.12</b>

#### Notes :

##### (i) Payment to statutory auditors comprise (including indirect tax)

- Audit fee	10.65	12.73
- Fees for international reporting	3.54	4.60
- Fees for certification	0.59	-
- Out of pocket expenses	0.51	1.59
<b>TOTAL</b>	<b>15.29</b>	<b>18.92</b>

##### (ii) Corporate social responsibility expenditure

Amount required to be spend as per section 135 of the Act

Amount spent during the year on :

- Construction / acquisition of any asset	9.78	-
- Other purpose	49.72	28.42
	<b>59.50</b>	<b>28.42</b>





## 28. Income tax expense

### a) Income tax recognised in profit and loss

(₹ in lakhs)		
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Current tax	3,233.76	2,813.33
Deferred tax	(579.95)	(291.25)
MAT Credit recognised related to prior years (Refer note below)	(4,153.78)	-
MAT Credit utilised during the year	(1,287.28)	(1,133.20)
<b>Total Income tax (credit)/expenses recognised in the current year</b>	<b>(2,787.25)</b>	<b>1,388.88</b>

Note:

Based upon the future projections, the Company is of the view that there is reasonable certainty that the future taxable income will be available against which tax credit will be utilized. Accordingly, unrecognized MAT credit has been recognized during the year.

### b) Income tax expense for the year can be reconcile to the accounting profit as follow :

Numerical reconciliation of tax expense applicable to profit before tax at the latest statutory enacted tax rate in India to income tax expense reported is as follows:

(₹ in lakhs)		
PARICULARS	For the year ended March 31, 2018	For the year ended March 31, 2017
Accounting Profit before Income Tax	9,120.59	7,872.57
At India's statutory income tax rate of 34.608%	3,156.45	2,724.54
<b>Tax effect of permanent differences:</b>		
Expenditure not allowed for tax purpose-CSR Expenses	20.59	9.84
Income not credited to Profit and loss A/C	-	1.72
Tax effect due to change in tax rates	(485.82)	0.13
Income Disallowed for tax purposes	-	(0.70)
Prior year tax effect on deferred tax liability	(37.42)	(213.45)
	2,653.80	2,522.08
MAT Credit availed related to prior years	(4,153.78)	-
MAT Credit utilised during the year	(1,287.28)	(1,133.20)
<b>Income tax expenses reported in the Statement of Profit and Loss</b>	<b>(2,787.26)</b>	<b>1,388.88</b>

### (c) Reconciliation of (deferred tax asset)/liability

(₹ in lakhs)		
Particulars	As at March 31, 2018	As at March 31, 2017
Opening balance	2,827.31	2,536.06
Tax (income)/expense during the period recognised in profit or loss	(579.95)	291.25
Tax (income)/expense during the period recognised in OCI	(2.24)	-
MAT credit availed	(4,153.78)	-
Closing Balance	<b>(1,908.66)</b>	<b>2,827.31</b>

### (d) Details of unrecognised tax credit:

(₹ in lakhs)		
Particulars	As at March 31, 2018	As at March 31, 2017
Unrecognised tax credit (MAT)	-	5,431.18
Total	-	<b>5,431.18</b>

## 29. Earnings per share

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017
Profit for the year attributable to owners of the Company	11,907.84	6,483.69
Weighted average number of equity shares for the purpose of basic and diluted earning per share (No. of share in lakh)	1,475.26	1,475.26
<b>Basic and diluted earning per share</b>	<b>8.07</b>	<b>4.39</b>



### 30. 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 Indian Accounting Standard 108 'Segment Reporting'. The Chief Operational Decision Maker monitors the operating results as one single segment for the purpose of making decisions about resource allocation and performance assessment and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.

Revenue of the Company is majorly from sale of electricity to two major customers.

### 31. Contingent Liabilities and Commitments (to the extent not provided for)

#### 31.1 Contingent Liabilities

- (i) In respect of assessment years 2008-09, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14, the Assessing Officer raised demands of Rs 15.54 lacs, Rs 34.07 lacs, Nil, Rs 68.75 lacs, Rs 38.70 lacs, Rs 71.19 lacs and Rs 1.16 lacs respectively on account of disallowed certain expenses under MAT computation and is of the view that these expenses were incurred towards exempt income under section 14A of the Income-tax Act, 1961. Based upon the favourable order passed by the Income tax authorities in the past in certain assessment year's appeal proceedings, the Company is of the view that the above said demands are not tenable and frivolous as the investment were made through internal accruals and did not earn any income from the investment during the above said assessment years thus remote in nature.

Further, in respect of the above said assessment years mentioned in point (i) above under regular Income tax provision, the Assessing officer had disallowed certain expenses including proportionate amount of deduction under section 80-IA, denied the claim of the Company to treat the income from carbon credit as capital receipt etc. The Company is under litigation on the above said matters at Commission of Income tax (Appeals), Income tax Appellate Tribunal (ITAT) and Supreme Court for Assessment years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14, 2014-15 and 2008-09, respectively.

The Company is of the view that no contingent liability exist in relation to Assessment years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 as the Company did not recognize MAT credit in relation to those assessment years. Further, in relation to Assessment years 2008-09 and 2014-15, the Company has considered the contingent liability of Rs 20.65 lacs and Rs 30.84 lacs, respectively, as the Company utilized the MAT credit in respect of these assessment years.

#### (ii) Financial Guarantee

The Company has provided Corporate/Default Guarantee to FIIs/Banks for the loans extended by them to AD Hydro Power Limited (subsidiary company).

(₹ in lakhs)

Particulars	As at March 31, 2018	As at March 31, 2017
a) The amount of outstanding loans covered by such guarantees	64,285.79	68,925.71
b) Under the terms of the said guarantee the maximum amount for which the company may be contingently liable during the next 12 months	5,124.65	4,811.65



**Malana Power Company Limited****Notes to Financial Statements for the year ended March 31, 2018****31.2 Commitments**

- a) Malana Power Company Limited has entered into agreement with Himachal Pradesh State Electricity Board (HPSEB) to wheel or transfer energy from Bajaura sub station to 400 kV substation of Powergrid Corporation of India(Powergrid) limited at Nalagarh (i.e. interstate point). The company has agreed to pay wheeling charges. This, being firm commitment, is recognized as an expense, on receipt of monthly bills from HPSEB under the head 'Wheeling Charges' in the statement of profit and loss.
- b) At March 31, 2018, the Company has committed for non-disposal of its investment in subsidiary AD Hydro Power Limited to its lenders (similar commitment was there in the previous year also).

Apart from the above, the Company does not have any long term commitments of material non-cancellable contractual commitments/contracts including derivatives contract for which there were any material foreseeable losses.

**32. Related Party Disclosures**

Disclosures as required by Ind AS 24 – “Related Party Disclosures” are as follow:

**(a) Names of related parties and description of relationship**

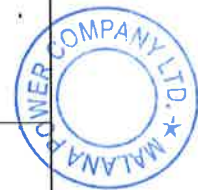
Description of relationship	Name of related party
Holding Company	Bhilwara Energy Limited
Subsidiary Company	AD Hydro Power Limited
Enterprise having significant influence over the company	Statkraft Holding Singapore PTE Limited
Fellow Subsidiary Companies	Indo Canadian Consultancy Services Limited
Key Management Personnel	Mr. Ravi Jhunjunwala, Chairman & Managing Director Mr. O.P Ajmera, CEO and CFO Mr. Arvind Gupta*
Relatives of key management personnel	Mrs. Rita Jhunjunwala (wife of the Chairman & Managing Director) Mr. Riju Jhunjunwala (son of the Chairman & Managing Director) Mr. Rishabh Jhunjunwala (son of the Chairman & Managing Director)
Enterprises owned or significantly influenced by key management personnel or their relatives	HEG Limited, RSWM Limited
Employee benefit funds	Malana Power company Limited Employees Gratuity Trust Malana Power company Limited Sr. Executive Company Superannuation Scheme Trust

\* As per Section 2(51) of the Company Act 2013, definition of Key Managerial Personnel including Company Secretary.

**b) Names and details of transaction of related parties during the year are as follows:**

**Malana Power Company Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

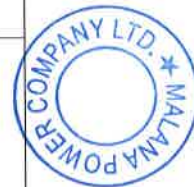
Transaction with related parties		(₹ in lakhs)											
Nature of Transaction	Holding Company/ Enterprises having significant influence over the Company	Subsidiary/Fellow subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprise over which key management personnel/relative having significant influence		Trust Under Common Control			
	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017	
Transactions during the year													
(i) Rent Paid													
a) Mrs. Rita Jhunjhunwala	-	-	-	-	-	16.95	17.77	-	-	-	-	-	
b) Mr. Rishab Jhunjhunwala	-	-	-	-	-	16.45	17.24	-	-	-	-	-	
c) Mr. Riju Jhunjhunwala	-	-	-	-	-	16.45	17.24	-	-	-	-	-	
d) RSWM Limited	-	-	-	-	-	-	-	17.45	21.17	-	-	-	
(ii) Remuneration paid													
a) Mr. Ravi Jhunjhunwala	-	-	-	-	239.48	220.66	-	-	-	-	-	-	
b) Mr. O.P. Ajmera	-	-	-	-	174.91	156.00	-	-	-	-	-	-	
c) Mr. Arvind Gupta	-	-	-	-	15.72	13.45	-	-	-	-	-	-	
(iii) Reimbursement of expenses paid to:													
a) HEG Limited	-	-	-	-	-	-	-	-	0.15	-	-	-	
b) RSWM Limited	-	-	-	-	-	-	-	13.71	14.80	-	-	-	
c) Bhilwara Energy Limited	2.36	0.23	-	-	-	-	-	-	-	-	-	-	
d) AD Hydro Power Limited	-	-	0.17	3.71	-	-	-	-	-	-	-	-	
(iv) Reimbursement of expenses recovered from:													
a) Bhilwara Energy Limited	83.58	51.98	-	-	-	-	-	-	-	-	-	-	
b) AD Hydro Power Limited	-	-	-	0.13	-	-	-	-	-	-	-	-	





**Malana Power Company Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

Transaction with related parties Nature of Transaction	Holding Company/ Enterprises having significant influence over the Company		Subsidiary/Fellow subsidiary Company		Key Management Personnel		Relative of Key Management Personnel		Enterprise over which key management personnel /relative having significant influence		Trust Under Common Control	
	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017	Mar. 2018	Mar. 2017
(v) Interest on unsecured loan given to : AD Hydro Power Limited	-	-	5,101.80	5,101.80	-	-	-	-	-	-	-	-
(vi) Trading Margin paid to : Statkraft Market Pvt Ltd	20.27	19.76	-	-	-	-	-	-	-	-	-	-
(vii) Contribution made in (Addition): a) Malana Power Company Ltd Employee Group Gratuity Trust b) Malana Power Company Ltd Sr. Executive Group Superannuation Trust	-	-	-	-	-	-	-	-	-	-	21.70	20.63
(viii) Claim from : a) Malana Power Company Ltd Employee Group Gratuity Trust b) Malana Power Company Ltd Sr. Executive Group Superannuation Trust	-	-	-	-	-	-	-	-	-	-	6.00	5.84
(ix) Balances Receivable: a) Statkraft Market Private Limited b) Investment in AD Hydro Power Limited c) Unsecured Loan given to AD Hydro Power Limited d) Interest amount recoverable on Unsecured Loan from AD Hydro Power Ltd	0.13	0.15	49,295.56 46,380.00 20,735.99	49,295.56 46,380.00 16,144.37	-	-	-	-	-	-	1.08	6.38
(x) Balances Payable: Commission payable to Mr. Ravi Jhujhunwala Statkraft Market Private Limited	0.15	-	-	-	91.73	79.10	-	-	-	-	-	-
(xi) Guarantees given by the Company : To the lender of AD Hydro Power Limited in favour of IDBI Trustee acting as debenture trustee for IL&FS IDF for the maximum amount for which the Company may be contingently liable during next 12 month To the lenders of AD Hydro Power Limited in favour of IDBI Trustee acting as security trustee for senior lenders of AD Hydro Power Limited for the maximum amount for which the Company may be contingently liable during next 12 month	-	-	654.91 4,474.20	654.91 4,156.73	-	-	-	-	-	-	-	-



**Malana Power Company Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

**(c) Compensation of Key Management Personnel**

(₹ in lakhs)

Particulars	31-Mar-18				31-Mar-17			
	CMD	CEO & CFO	C.S.	Total	CMD	CEO & CFO	C.S.	Total
	Mr. Ravi Jhunjhunwala	Mr. O P Ajmera	Mr. Arvind Gupta		Mr. Ravi Jhunjhunwala	Mr. O P Ajmera	Mr. Arvind Gupta	
Short Term Benefit	229.51	164.88	14.98	409.37	211.12	146.82	12.80	370.74
Defined Contribution Plan	9.97	10.03	0.74	20.74	9.54	9.18	0.65	19.37
	239.48	174.91	15.72	430.11	220.66	156.00	13.45	390.11

# Key Managerial Personnel are entitled to post-employment benefits and other long term employee benefits recognized as per Ind AS 19 – Employee Benefits” in the financial statements. As these employee benefits are lump sum amounts provided on the basis of actuarial valuation.

**33. Operating Leases arrangements**

Operating lease relate to leases of office premise and vehicle with a term of 1 year. During the year Company has recognize lease rent expense of ₹ 17.45 lakhs (previous year ₹21.17 lakhs)

**34. Employee Benefit Plan**

**34.1 Defined contribution plan**

**(i) Superannuation Fund**

The Company makes Superannuation Fund contributions to defined contribution retirement benefit plans for eligible employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions as specified under the law are paid to the superannuation fund set up as a trust by the Company. The Company is generally liable for annual contributions and any shortfall in the fund assets based on the government specified minimum rates of return and recognizes such contributions and shortfall, if any, as an expense in the year it is incurred. Having regard to the assets of the fund and the return on the investments, the Company does not expect any shortfall in the foreseeable future.

**(ii) Provident Fund**

The Company makes Provident Fund contributions which are defined contribution plan, for qualifying employees. Under the scheme Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized ₹39.82 lakh (previous year ₹36.71 lakh) in the statement of profit and loss account. (refer note 24)

**34.2 Details of defined benefit plan and long term employee benefit plan**

**(i) Gratuity Fund**

The Company has a defined benefit gratuity plan. The gratuity plan is primarily governed by the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of five years are eligible for gratuity. The level of benefits provided depends on the member's length of service and salary at the retirement date. The gratuity plan is funded plan. The fund has the form of a trust and is governed by Trustees appointed by the Company. The Trustees are responsible for the administration of the plan assets and for the definition of the investment strategy in accordance with the regulations. The funds are deployed in recognised insurer managed funds in India. The Company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimates of expected gratuity payments.



## (iii) Long term employee benefits plan

Compensated absence represents earned leaves. Long term compensated absence has been provided on accrual basis based on actuarial valuation.

34.3 Disclosure required for Gratuity and Compensated absence in accordance with Ind AS-19 "Employee Benefits" are set out in the table below:

## i) Current and Non – Current classification in Balance Sheet

	March 31, 2018 (Rs. In lakhs)			March 31, 2017 (Rs. In lakhs)		
	Current	Non-current	Total	Current	Non-current	Total
Compensated absence obligation	3.11	122.17	125.28	2.27	79.00	81.27
Net defined benefit obligation	21.69	-	21.70	22.63	-	22.63

## (i) Movement in the present value of defined benefit obligation

Particulars	Gratuity (Rs. In lakhs )		Compensated absences (Rs. In lakhs )	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Present value of obligation as at the beginning of the period	203.80	168.65	81.27	69.74
Interest Cost	14.98	13.49	5.97	5.58
Current Service Cost	12.34	11.17	8.31	6.03
Benefits Paid	(1.08)	(6.38)	-	-
Actuarial (Gain)/Loss on obligation	7.14	16.87	29.72	(0.07)
Present value of obligation as at the End of the period	237.18	203.80	125.28	81.27

## (ii) The amounts recognized in the Profit and Loss account

Particulars	Gratuity (Rs. In lakhs )		Compensated absences (Rs. In lakhs )	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
Service Cost	12.34	11.17	8.31	6.03
Net Interest Cost	1.66	1.41	5.97	5.58
Expense recognized in the Income Statement	14.00	12.58	44.01	11.53



**Malana Power Company Limited****Notes to Financial Statements for the year ended March 31, 2018****(iii) Amount recorded as Re-measurement Gain / (Loss) in Other Comprehensive Income (OCI)**

Particulars	Gratuity (Rs. In lakhs)	
	March 31, 2018	March 31, 2017
Net cumulative unrecognized actuarial gain/(loss) opening	-	-
Actuarial gain / (loss) for the year on PBO	(7.14)	(16.78)
Actuarial gain /(loss) for the year on Asset	(0.56)	6.81
Defined benefit cost recognized in other comprehensive income.	(7.70)	(9.97)

**(iv) Movement in the fair value of plan assets**

Particulars	Gratuity (Rs. In lakhs)	
	March 31, 2018	March 31, 2017
Fair value of plan assets at the beginning of the year	181.18	151.05
Actual return on plan assets	12.75	18.91
Employer contribution	22.63	17.61
Benefits paid	(1.08)	(6.38)
Fair value of plan assets at the end of the year	215.48	181.16

**(v) Major categories of plan assets (as percentage of total plan assets)**

Particulars	Gratuity	
	March 31, 2018	March 31, 2017
Government of India Securities	--	--
State Government securities	--	--
High Quality Corporate Bonds	--	--
Equity Shares of listed companies	--	--
Property	--	--
Funds Managed by Insurer *	100 %	100 %
Bank Balance	--	--
Total	100 %	100 %

\*In the absence of detailed information regarding plan assets which is funded with Insurance Companies, the composition of each major category of plan assets, the percentage or amount of each category to the fair value of plan assets has not been disclosed.

**(vi) Principal Actuarial Assumptions**

Particulars	Gratuity		Compensated absences	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
i) Discounting Rate	7.80	7.35	7.80	7.35
ii) Future salary Increase	5.50	5.50	5.50	5.50





**Malana Power Company Limited**
**Notes to Financial Statements for the year ended March 31, 2018**

Particulars	Gratuity		Compensated absences	
	March 31, 2018	March 31, 2017	March 31, 2018	March 31, 2017
i) Retirement Age (Years)	60	60	60	60
ii) Mortality rates inclusive of provision for disability	100 % of IALM (2006 - 08)		100 % of IALM (2006 - 08)	
iii) Ages	Withdrawal Rate (%)	Withdrawal Rate (%)	Withdrawal Rate (%)	Withdrawal Rate (%)
Up to 30 Years	3.00	3.00	3.00	3.00
From 31 to 44 years	2.00	2.00	2.00	2.00
Above 44 years	1.00	1.00	1.00	1.00

**Note:**

- Discount rate is based on the prevailing market yields of Govt. of India Securities as at Balance Sheet date for the estimated term of the obligations.
- The estimate of future salary increased considered, takes into account the inflation, seniority, promotion, increment and other relevant factors.

**(vii) Sensitivity Analysis of the defined benefit obligation**

Sensitivity of gross defined benefit obligation as mentioned above, in case of change of significant assumptions would be as under:

(₹ In lakhs)

Particulars	Gratuity
<b>a) Impact of the change in discount rate</b>	
Present Value of Obligation at the end of the period	237.18
Impact due to increase of 0.50 %	(8.31)
Impact due to decrease of 0.50 %	8.86
<b>b) Impact of the change in salary increase</b>	
Present Value of Obligation at the end of the period	237.18
Impact due to increase of 0.50 %	9.02
Impact due to decrease of 0.50 %	(8.52)

**Notes:**

- Sensitivities due to mortality & withdrawals are not material & hence impact of change not calculated.
- Sensitivities as to rate of inflation, rate of increase of pensions in payment, rate of increase of pensions before retirement & life expectancy are not applicable being a lump sum benefit on retirement.



**Malana Power Company Limited**  
**Notes to Financial Statements for the year ended March 31, 2018**

**(viii) Maturity Profile of defined benefit obligation**

Year	(₹ in lakhs) Gratuity
April 2018- March 2019	5.98
April 2019- March 2020	99.10
April 2020- March 2021	8.90
April 2021- March 2022	23.38
April 2022- March 2023	2.64
April 2023- March 2024	4.18
April 2024 onwards	93.01

35. In respect of 200 MW Bara Banghal project in state of Himachal Pradesh for which the Company had bid and paid an upfront premium of Rs.6,120 lacs, the Company has decided to shelve off the same as the State Hydro Power Policy is not aligned with MOEF Policy of Government Of India which prohibits the implementation of a hydro power project in wild life /eco sensitive zone areas. In view of this, the Company has filed a full amount of refund claim along with interest. The provision of 50% of Rs. 3,060 lakhs has been recorded in earlier years shall be written back at the time of acceptance of refund.

**36. Other Matters**

- (i) The Company received claims of wheeling charges and losses from Himachal Pradesh State Electricity Board (HPSEBL) amounting to Rs. 5470.34 lakhs for the period April 2008 to March 2017 based upon the letter dated April 11, 2017 which was contested by the Company before Hon'ble High Court of Himachal Pradesh. Hon'ble High Court in its final order dated 12<sup>th</sup> March 2018 has held that, the wheeling charges and losses claimed by HPSEBL is not adjudicated in terms of the order of the Central Electricity Regulatory Commission (CERC) order dated March 10, 2017 and directed parties to approach HPERC for adjudication of the charges. Therefore the above demand or any subsequent demand raised by HPSEBL are not in accordance with the law and order. The Company has also deposited Rs 1000 lakhs with the Registry of the High Court as per the directions dated 1<sup>st</sup> January 2018 of the Court towards default transmission charges and losses which will be adjustable/payable after the adjudication of the charges by HPERC. In the meantime the Company has worked out the transmission/wheeling charges at the default rates prescribed in the CERC Regulations pursuant to the Order of CERC which works out to Rs 2062.20 lakhs. The Default losses as prescribed are yet to be worked out by HPSEBL. However the Company has created a provision of 10 Paise per KWH for wheeling charges and losses at rates prescribed in the agreement.

Subsequent to year end, the Company has filed Special leave petition with Hon'ble Supreme Court, based on the view that the Hon'ble High Court Order has left all legal questions, raised in the petition, open to be decided at a later stage by the appropriate authority which is vital for the case. On April 23, 2018, Hon'ble Supreme court has granted the stay on the judgement and order of Hon'ble High Court of Himachal Pradesh.

- (ii) The Company has received claim of UI charges from Himachal Pradesh State Electricity Board Limited (HPSEBL) amounting to Rs 924.35 lakhs for the period April 2008 to January 2017 based upon the letter dated April 11, 2017 and Rs 130.16 lakhs based upon the invoice received for the period February 2017 to December 2017. Total claims payable aggregating to Rs 1054.51 lakhs.

Management is of the view that the UI charges claimed for the above said period is erroneous and no provision is required as it has not been computed by the HPSEBL in accordance with the Open Access Regulations, 2008 read with the UI Regulations, 2009 and DSM Regulations, 2014 (Regulations) as directed by the CERC vide order dated March 10, 2017. Had it been computed based upon the said Regulations, the Management is of the view the UI charges should be recoverable of Rs 1205.50 lakhs for the period April 2008 to January 2017 and should be



## Malana Power Company Limited

### Notes to Financial Statements for the year ended March 31, 2018

payable of Rs 69.97 lakhs for the period February 2017 to December 2017, aggregating to net recoverable of Rs 1135.53 lakhs as on December 31, 2017. The Company has not received any invoice for the period January 2018 to March 2018. Till date, the Company is under discussion with HPSEBL to reconcile the above said matter and thus the consequential impact would be accounted for after the reconciliation of the same.

- (iii) The Company has filed a Petition with CERC in November 2014 for recovery of excess handling charges and claiming that it had been wrongly charged by HPSEBL. In this regard, the Company has received favorable order in March 2017. The Company has estimated an amount of recovery of Rs.887.98 lakhs towards handling charges including interest @9% per annum for the period April 2008 to March 2018 as against an amount confirmed by HPSEBL amounting to Rs 821.43 lakhs. The Company is of the view the same will be accounted for as income on receipt of amount.
- (iv) The Company has an investments amounting to Rs. 49,295.56 lakhs in AD Hydro Power Limited (subsidiary company) and has also unsecured loan receivables (including accrued interest of Rs. 20735.99 lakhs) amounting to Rs. 67,115.99 lakhs as on March 31, 2018, total balance recoverable from subsidiary company aggregating to Rs 116,411.55 lakhs as on March 31, 2018. As against this, net assets of the subsidiary company as on March 31, 2018 aggregating to Rs. 93,465.40 lakhs (88% of total net assets of Rs. 106,210.68 lakhs excluding the effect of outstanding balance of unsecured loan and accrued interest payables). The net financial exposure towards recoverability from subsidiary company is of Rs. 22,946.15 lakhs as on March 31, 2018. In view of this, the Company has carried out an evaluation of the subsidiary company's financial performance after taking into account the future projections and expected future cash flows. Based on such evaluation, the management is of the view that there is no other than temporary diminution in the value of investments is required and the unsecured loans receivables (including accrued interest) are good and fully recoverable.

#### 37. Financial risk management and objective policies

The company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

##### a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits. The company is exposed to interest rate risk on variable rate long term borrowings.

The sensitivity analysis in the following sections relate to the position as at March 31, 2018 and March 31, 2017.

##### I. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.





**Malana Power Company Limited****Notes to Financial Statements for the year ended March 31, 2018****i. Interest Risk Exposure**

The exposure of the company's borrowings to interest rate changes at the end of the reporting period are as follows:

(₹ in lakhs)		
Particulars	March 31, 2018	March 31, 2017
Variable rate borrowings	4,680.48	4,790.24
Fixed rate borrowings	13,850.11	14,174.92
<b>Total</b>	<b>18,530.59</b>	<b>18,965.16</b>

**ii. Sensitivity**

Profit/loss is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates. The table below summarises the impact of increase and decrease of profit after tax on change in interest rate on floating rate debt. The analysis is based on the assumption that interest rate changes by 23 basis points with all other variable held constant. The fluctuation in interest rate has been arrived at on the basis of average interest rate volatility observed in the outstanding loans as on March 31, 2018 and March 31, 2017.

(₹ in lakhs)		
Particulars	March 31, 2018	March 31, 2017
Effect on Profit if Interest Rate - decrease by 25 basis points	47.01	49.89
Effect on Profit if Interest Rate - increases by 25 basis points	(47.01)	(49.89)

**II. Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The company is not exposed to any foreign currency risk as there is no material transactions in foreign currency. Hence, no further disclosure is required under this section.

**III. Price risk**

The company is not exposed to any price risk as there is no investment in equities outside the Company and the company doesn't deal in commodities.

**b) Credit risk**

Credit risk arises from the possibility that the counterparty will default on its contractual obligations resulting in financial loss to the company. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, unsecured loan to subsidiary company and other financial instruments.

To manage this, the Company periodically assesses the financial reliability of customers, taking into account the financial conditions, current economic trends, and analysis of historical bad debts and ageing of accounts receivable.

The Company considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis through each reporting period.

Financial assets are written off when there is no reasonable expectation of recovery.



**Malana Power Company Limited**
**Notes to Financial Statements for the year ended March 31, 2018**

- i. Financial assets to which loss allowance is measured using lifetime /12 months Expected Credit Loss (ECL) as on March 31, 2018.

(₹ in lakhs)

Financial assets to which loss allowance is measured using lifetime/ 12 months Expected credit loss(ECL)	As at March 31, 2018			As at March 31, 2017		
	Gross Carrying Amount	Expected credit loss	Carrying amount net of impairment provision	Gross Carrying Amount	Expected credit loss	Carrying amount net of impairment provision
Long term loans and advances to Subsidiary Company	46,380.00	-	46,380.00	46,380.00	-	46,380.00
Loan to Employees	86.85	-	86.85	28.75	-	28.75
Surrender value of key-man insurance policy	21.01	-	21.01	21.01	-	21.01
Advance for Bara Banghal project	6801.84	3741.84	3,060.00	680.84	3742.84	3,060.00
Interest accrued on loan given to subsidiary company	20,735.99	-	20,735.99	16,144.37	-	16,144.37
Trade receivables	2.99	-	2.99	396.36	-	396.36
Interest accrued on bank deposit	68.53	-	-	6.25	-	-
Security deposit	5.05	-	5.05	30.05	-	30.05

The Company is in the power generation sector. The Company on the basis of its past experience and industry practice is confident on realizing all of its dues from its customers. Hence, the Company has not provided for any discounting on time value of money.

**a. Liquidity risk**

Liquidity risk is defined as the risk that the company will not be able to settle or meet its obligation on time or at a reasonable price. The Company's treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risk are overseen by senior management. Management monitors the Company's net liquidity position through rolling, forecast on the basis of expected cash flows. To maintain liquidity the Company has maintained loan covenants as per the terms decided by the lenders.

The table below provides details regarding the remaining contractual maturities of financial liabilities at the reporting date based on contractual undiscounted payments:

(₹ in lakhs)

As at March 31, 2018	Less than 3 months	3 to 6 months	6-12 months	12months to 3 years	More than 3 years	Total
Borrowings	108.64	108.64	217.27	869.11	17226.93	18,530.59
Trade payables	401.65	0.04	0.18	629.60	2.24	1,033.71
Sundry deposit	0.26	0.35	0.24	0.24	9.67	10.76
Interest accrued but not due on loan from financial institution	4.49	-	-	-	-	4.49



**Malana Power Company Limited****Notes to Financial Statements for the year ended March 31, 2018**

(₹ in lakhs)

As at March 31, 2017	Less than 3 months	3 to 6 months	6-12 months	12months to 3 years	More than 3 years	Total
Borrowings	108.64	108.64	217.28	869.11	17661.50	18,965.16
Trade payables	364.18	-	0.70	344.11	0.91	709.90
Sundry deposit	0.41	3.26	0.35	4.70	0.50	9.22
Interest accrued but not due on loan from financial institution	4.90	-	-	-	-	4.90

**38. Capital management****a) Risk management**

The Company's objective when managing capital are to:

- (i) safeguard their ability to continue as a going concern , so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) maintain an optimal capital structure to reduce the cost of capital

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Company makes continuous efforts to optimise its cost of capital as during 2016-17 and 2017-18 company makes arrangements with its lenders to re-structure its borrowings which reduce the cost of capital of borrowing for the company.

Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio:

Net Debt (total borrowings net of cash and cash equivalents)  
Divided by  
Total equity (as shown in balance sheet, including non- controlling interest)

The gearing ratios were as follows:

(₹ in lakhs)		
Particulars	March 31, 2018	March 31, 2017
Net Debt	18,097.53	16,979.52
Total equity	119,186.99	107,284.60
Net Debt to Equity Ratio	0.15	0.16





**Malana Power Company Limited**
**Notes to Financial Statements for the year ended March 31, 2018**
**39. Financial instruments- accounting classification and fair value measurement**

(₹ in lakhs)

Particulars	As at March 31, 2018				As at March 31, 2017			
	Fair value through Profit and loss account	Fair value through OCI	Amortised cost (Carrying amount)	Fair value	Fair value through Profit and loss account	Fair value through OCI	Amortised cost (Carrying amount)	Fair value
Long term loans and advances to Subsidiary Company	-	-	46,380.00	46,380.00	-	-	46,380.00	46,380.00
Loan to Employees	-	-	86.85	86.85	-	-	28.75	28.85
Surrender value of key-man insurance policy	-	-	21.01	21.01	-	-	21.01	21.01
Advance for Bara Banghal project	-	-	3,060.00	3,060.00	-	-	3,060.00	3,060.00
Interest accrued on loan given to subsidiary company	-	-	20,735.99	20,735.99	-	-	16,144.37	16,144.37
Trade receivables	-	-	2.99	2.99	-	-	396.36	396.36
Interest accrued on bank deposit	-	-	68.53	68.53	-	-	6.25	6.25
Security deposit	-	-	5.05	5.05	-	-	30.05	30.05
<b>Total financial assets</b>			<b>70,360.42</b>	<b>70,360.42</b>			<b>66,066.79</b>	<b>66,066.79</b>
Borrowings			18530.59	<b>18530.59</b>			18965.16	<b>18965.16</b>
Trade Payables			1033.71	<b>1033.71</b>			709.90	<b>709.90</b>
Interest accrued but not due on loan from financial institution			4.49	<b>4.49</b>			4.90	<b>4.90</b>
Sundry deposit			10.76	<b>10.76</b>			9.22	<b>9.22</b>
<b>Total financial liabilities</b>			<b>19579.55</b>	<b>19579.55</b>			<b>19689.18</b>	<b>19689.18</b>



**40. Recent accounting pronouncements**

- (i) **Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:** On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from April 1, 2018. The Company is of the view that it does not have any impact on the financial statements.
- (ii) **Ind AS 115- Revenue from Contract with Customers:** On March 28, 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The standard permits two possible methods of transition:
- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors
  - Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach).

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018. The Company is of the view that it does not have any impact on the financial statements.

41. During the current year, the Company has reclassified below mentioned account balances related to previous year March 31, 2017. The detail of the same is as under:

- (i) MAT credit entitlement of Rs. 332.71 lakhs has been reclassified to "Deferred Tax asset". In previous year, it was classified under the head "Other Assets-Non Current".
- (ii) Loan to employees of Rs 21.72 lakhs has been bifurcated into current and non- current based upon loan recovery schedule. Earlier it was reflecting as current only.
- (iii) Recovery of state transmission utility (STU) charges amounting to Rs 54.25 lakhs included in Revenue from operations in the previous year. In current year, it has been reduced from Open Access charges under "Expenses".

For and on behalf of the Board of Directors of Malana Power Company Limited

  
**Ravi Jhunhunwala**  
Director  
DIN :- 00060972

  
**O.P. Ajmera**  
CEO and CFO

  
**Knut Leif Bredo Erichen**  
Director  
DIN :-07270992

  
**Arvind Gupta**  
Company Secretary  
M.No.:-F7690

Place: *Noide*

Date: *April 25, 2018*

