

DIRECTORS' REPORT

To,

The Members

The Directors have pleasure in presenting their 6th Annual report and Audited Accounts for the financial year ended March 31, 2013.

1. FINANCIAL RESULTS

Your Company's project is under implementation and accordingly the Company carried forward the project expenditure incurred during the year ₹ 32,98,76,01,184 as Construction Work in Progress at Realisable Sales Value. The Company has suffered loss of ₹ 97,07,81,560 during the year comprising mainly exchange loss on forward cover contracts.

2. APPROPRIATION

During the year under review, the Company did not carry on any commercial activities and accordingly no appropriation is done.

3. DIVIDENDS

As the Company has not commenced its commercial operations, your Directors express their inability to recommend any dividend for the year 2012-13.

4. CAPITAL AND FINANCE

The Company has got sanctioned secured loan of ₹ 7,200 Crores through syndication of 24 Banks against the security of mortgage and hypothecation of its assets and receivables over the period of loan. Part of this sanctioned loan is refinanced through External Commercial Borrowing (ECB) route for JPY 10,46,22,80,000 towards specific purchases. 65% of the INR loan is repayable in 44 structured installments from July, 2014 to June, 2025 and the balance 35% shall be paid as a bullet repayment at the end of the loan tenor. The interest is payable on a monthly basis. The ECB is repayable in 24 equitable half yearly installments starting from September, 2014 and ending on March, 2026. The interest is payable half yearly.

5. CAPITAL EXPENDITURE

As at March 31, 2013, the gross tangible and intangible assets, including capital work-in-progress stood at ₹ 23,75,96,075. Depreciation of ₹ 1,08,85,245 is charged up to March 31, 2013. Additions during the year amounted to ₹ 21,93,54,962 and deduction of intangible assets ₹ 83,85,979.

6. AUDITORS' REPORT

The Auditors' report does not contain any qualifications. The notes on financial statements referred in the Auditors' report are self-explanatory and do not call for any further comments of the Directors.

7. PERFORMANCE OF THE COMPANY

Your Company has been incorporated with the object of power generation and is yet to commence its commercial operations. The Directors are satisfied with the progress achieved so far in implementing the project.

8. DEPOSITS

The Company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956.

9. MATERIAL CHANGES, IF ANY, BETWEEN DATE OF THE BALANCE SHEET AND DATE OF THE DIRECTORS' REPORT

There are no material changes that have taken place in the Company between the date of the Balance Sheet and the date of the Directors' Report.

10. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING AND OUTGO AS PER THE COMPANIES' (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988:

• Conservation of Energy

As the commercial operations of the Company for generation of power are yet to commence, there are no particulars required to be disclosed under this head.

• Technology Absorption & Foreign Exchange Earnings and Outgo

There was no Technology Absorption during the year 2012-13.

• Foreign Exchange Earnings and Outgo

There was no earning in any foreign currency in the course of transactions during the year 2012-13.

Foreign currency used in the course of transactions during the year 2012-13 is as under:

Foreign Travel	₹ 4,28,373
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11. PARTICULARS OF EMPLOYEES U/S 217(2A)

There are no employees covered by the provisions of the Section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules, 1975.

12. SUBSIDIARY COMPANIES

Your Company does not have any subsidiary Company under its purview.

13. DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- i. that in the preparation of the annual accounts, the applicable Accounting Standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the Directors made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2013 and loss of the Company for the year ended on that date.
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis; and
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

14. DIRECTORS

At present, the Board comprises of Mr. Shailendra Roy, Mr. N. Hariharan and Mr. Sunil S. Sapre.

Mr. P. S. Banerjee resigned from the Company on 23rd July, 2012, consequent to his retirement from the services of Larsen & Toubro Limited. Mr. Sunil S. Sapre has been appointed in casual vacancy of Mr. P. S. Banerjee.

In the ensuing Annual General Meeting, Mr. Sunil S. Sapre is liable to retire by rotation and being eligible offer themselves for re-appointment.

15. AUDIT COMMITTEE

The Audit Committee consists of three Non-Executive and Independent Directors. The present members of the Committee are Mr. Shailendra Roy, Mr. N. Hariharan and Mr. Sunil S. Sapre.

The role, terms of reference, the authority and power of Audit Committee are in conformity with the requirements of the Companies Act, 1956.

The Committee met periodically during the year.

16. AUDITORS

The Auditors, M/s Sharp & Tannan, Chartered Accountants, being Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. The Directors recommend that M/s. Sharp & Tannan, Chartered Accountants be appointed as the Statutory Auditors of the Company at the forthcoming Annual General Meeting of the Company to hold office till the conclusion of the next Annual General Meeting of the Company.

Certificate from the auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

17. COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestions. Our compliance with the said guidelines is given below –

a) Separation of Offices of Chairman & Chief Executive

The Chairman is elected during each Board Meeting by the Directors from amongst those present. Mr. Upinder Singh is the Chief Executive of the Company and all the Directors are Non-Executive and the role of Chairman is confined to the proper conduct of the Board Meeting.

b) Remuneration Of Directors

The Directors are not paid any remuneration by way of sitting fees, etc.

c) Independent Directors

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company. The Directors are updated about their role, responsibilities and liabilities.

d) Number of Companies in which an Individual may become a Director

The Company has appraised its board members about the restriction on number of other directorships and expects in due course to comply with the same.

e) Responsibilities of the Board

The Company is yet to commence its commercial operations. Directors are regularly updated about their role, responsibilities and liabilities.

Presentations to the Board in areas such as financial results, budgets, give the Directors, an opportunity to interact with Senior Management and other Functional Heads of the Company.

f) Terms of reference of Audit Committee of Board

As mentioned above, the Company has an Audit Committee comprising of Independent Directors, including its Chairman.

The terms of reference of the Audit Committee is given below –

1. to monitor the integrity of the financial statements of the Company;
2. to review the internal control systems;
3. to review the related party transactions forming part of the Annual Report.

g) Statutory Auditors

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

h) Internal Auditors

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to all its group companies including the Company.

i) Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

j) Secretarial Audit

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

18. ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the Financial Institutions, Bankers, Regulatory Authorities, employees of the Company and management of the parent Company.

For and on behalf of the Board

Place : Mumbai

Date : May 4, 2013

SHAIENDRA ROY

Director

N. HARIHARAN

Director

SUNIL S. SAPRE

Director

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NABHA POWER LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **NABHA POWER LIMITED** which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit & Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) In the case of the Profit & Loss Account, of the loss for the year ended on that date; and
- (c) In case of the Cash Flow Statement, of the cash flows for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. As required by Section 227(3) of the Companies Act, 1956 we report that:
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss Account and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss Account and the Cash Flow Statement comply with the accounting standards referred to in Section 211 (3C) of the Companies Act, 1956; and
 - (e) On the basis of the written representations received from directors of the Company as on March 31, 2013, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of Section 274 (1)(g) of the Companies Act, 1956.

SHARP & TANNAN

Chartered Accountants

ICAI Registration No. 000452N

By the hand of

MILIND P. PHADKE

Partner

Membership No. 33013

*Place: Mumbai
Date: May 4, 2013*

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in Paragraph 1 of our report of even date)

- (i) (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of all fixed assets.
(b) As explained to us, fixed assets have been physically verified by the management, in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size of the Company and nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.
(c) The Company has not disposed off any substantial part of its fixed assets during the year, so as to affect its going concern status.
- (ii) (a) As explained to us, the inventories have been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.
(b) As per the information given to us, the procedures of physical verification of inventory followed by the management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
(b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion, and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956, have been so entered.
(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted deposits from the public with in the meaning of Sections 58A, 58AA or any other relevant provisions of the Companies Act 1956. Hence Clause 4 (vi) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- (vii) We are informed that, being in pre-operative stage, the Company is in the process of instituting an internal audit system.
- (viii) The Central Government has prescribed maintenance of cost records under clause (d) of sub Section (1) of Section 209 of the Companies Act, 1956 (G.S.R. No. 913(E) dt. 21.12.2001, as amended vide G.S.R. 709 (E) dated 7th December, 2005 & G.S.R. 378(E) dated 27th June, 2006). The Company will generate electricity from thermal power and the plant is under construction therefore cost records under clause (d) of sub Section (1) of Section 209 of the Companies Act, 1956 are not maintained by the Company.
- (ix) (a) According to the information and explanations given to us, in our opinion, the Company has been generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts were in arrears as at March 31, 2013, for a period of more than six months from the date they become payable.
(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues which have not been deposited on account of any dispute of income tax and cess.
- (x) The Company is yet to commence its commercial operations. The Company has suffered cash losses of ₹ 96,84,37,788/- during the year and its accumulated losses at the end of the Financial Year is ₹ 92,26,98,038/-.
- (xi) According to the information and explanations given to us, in our opinion the Company has not defaulted in the repayment of dues to any financial institutions or bank as at the Balance Sheet date.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund/nidhi/mutual benefit fund/society and hence reporting under clause 4(xiii)(a),(b),(c) & (d) of the Companies(Auditor's Report) Order 2003 does not arise.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures. The Company has invested surplus funds in mutual funds. According to the information and explanations given to us, proper records have been made of the transactions and contracts and timely entries have been made therein. The investments in mutual funds have been held by the Company in its own name.

- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by associates and others, from bank or financial institutions during the year.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been applied for long-term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year hence reporting under clause 4(xviii) of the Companies (Auditor`s Report) Order, 2003 does not arise.
- (xix) The Company has not issued any debentures during the year and accordingly no securities or charge has been created, hence reporting under clause 4 (xix) of the Companies (Auditor`s Report) Order, 2003 does not arise.
- (xx) The Company has not raised any money through public issues during the year. Accordingly, paragraph 4 (xx) of the Companies (Auditor`s Report) Order, 2003 is not applicable to the Company.
- (xxi) During the course of our examination of books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

SHARP & TANNAN
Chartered Accountants
ICAI Registration No. 000452N
By the hand of

MILIND P. PHADKE
Partner
Membership No. 33013

Place: Mumbai
Date: May 4, 2013

BALANCE SHEET AS AT MARCH 31, 2013

	Note No.	As at 31.03.2013		As at 31.03.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	A	11,470,000,000		9,600,000,000	
Reserves and surplus	B	<u>(922,698,038)</u>		<u>48,083,522</u>	
			10,547,301,962		9,648,083,522
Share application money pending allotment			2,260,000,000		–
Minority interest			–		–
Non-current liabilities					
Long-term borrowings	C(I)	34,119,833,197		17,828,661,389	
Long-term provisions	C(III)	–		–	
			<u>34,119,833,197</u>		<u>17,828,661,389</u>
Current liabilities					
Short-term borrowings	D(I)	706,000,000		706,000,000	
Current maturities of long term borrowings	D(II)	–		–	
Trade payables	D(III)	20,301,693,239		12,505,044,724	
Other current liabilities	D(IV)	465,900,791		110,593,816	
Short-term provisions	D(V)	<u>2,705,824</u>		<u>3,049,218</u>	
			<u>21,476,299,854</u>		<u>13,324,687,758</u>
TOTAL			<u>68,403,435,013</u>		<u>40,801,432,669</u>
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	E(I)	12,467,544		9,314,771	
Intangible assets	E(II)	–		–	
Capital work-in-progress	E(I)	214,243,286		374,554	
Intangible assets under development	E(II)	–		8,385,979	
			<u>226,710,830</u>		<u>18,075,304</u>
Long-term loans and advances	G(I)(a)		1,016,528,742		1,270,425,505
Current assets					
Current investments	H(I)	402,420,843		672,927,065	
Cash and bank balances	H(IV)	45,830,241		53,670,398	
Short-term loans and advances	H(V)	3,352,170,750		8,414,161,974	
Other current assets	H(VI)	<u>63,359,773,607</u>		<u>30,372,172,423</u>	
			<u>67,160,195,441</u>		<u>39,512,931,861</u>
TOTAL			<u>68,403,435,013</u>		<u>40,801,432,669</u>
OTHER NOTES FORMING PART OF ACCOUNTS	R				
SIGNIFICANT ACCOUNTING POLICIES	Q				

As per our report attached

For and on behalf of the Board

SHARP & TANNANChartered Accountants
ICAI Registration No. 000452N
by the hand of**MILIND P. PHADKE**Partner
Membership No. 33013**J. S. GILL**

Manager

S. R. GODBOLE

F&A Head

S. N. ROY

Director

SUNIL S. SAPRE

Director

Place : Mumbai
Date : May 4, 2013Place : Mumbai
Date : May 4, 2013

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

	Note No.	2012-2013		2011-2012	
		₹	₹	₹	₹
REVENUE					
Revenue from operations (gross)	K	<u>32,616,868,949</u>		<u>20,535,004,009</u>	
Revenue from operations (net)			32,616,868,949		20,535,004,009
Other income	L		<u>31,026,927</u>		<u>23,450,082</u>
TOTAL REVENUE			<u>32,647,895,876</u>		<u>20,558,454,091</u>
EXPENSES					
Manufacturing, construction and operating expenses	M				
Cost of raw materials, components consumed		22,619,558,730		15,057,561,669	
Purchase of stock-in-trade		-		-	
Stores, spares and tools consumed		-		-	
Sub-contracting charges		5,958,656,287		4,152,143,000	
Other manufacturing, construction and operating expenses		1,067,939,278		95,715,097	
			29,646,154,295		19,305,419,766
Employee benefits expense	N		175,982,224		81,778,714
Sales, administration and other expenses	O		631,076,250		(12,133,494)
Finance costs	P		3,163,120,895		1,139,518,158
Depreciation, amortisation, impairment and obsolescence			2,343,772		8,314,232
TOTAL EXPENSES			<u>33,618,677,436</u>		<u>20,522,897,376</u>
Profit before exceptional and extraordinary items and tax			(970,781,560)		35,556,716
Profit before extraordinary items and tax			(970,781,560)		35,556,716
Profit before tax			(970,781,560)		35,556,716
Tax expense:					
Current tax				2,410,000	
Deferred tax				-	
					2,410,000
Profit after tax			(970,781,560)		33,146,716
Balance carried to Balance Sheet			<u>(970,781,560)</u>		<u>33,146,716</u>
Basic earnings per equity share			(0.97)		0.03
Diluted earnings per equity share			(0.94)		0.03
OTHER NOTES FORMING PART OF ACCOUNTS	R				
SIGNIFICANT ACCOUNTING POLICIES	Q				

As per our report attached

For and on behalf of the Board

SHARP & TANNANChartered Accountants
ICAI Registration No. 000452N
by the hand of**MILIND P. PHADKE**Partner
Membership No. 33013**J. S. GILL**

Manager

S. R. GODBOLE

F&A Head

S. N. ROY

Director

SUNIL S. SAPRE

Director

Place : Mumbai
Date : May 4, 2013Place : Mumbai
Date : May 4, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

	For the year ended March 31, 2013 ₹	For the year ended March 31, 2012 ₹
A. Cash flow from operating activities		
Profit before tax (excluding minority interest, exceptional and extraordinary items)	(970,781,560)	35,556,716
Adjustments for		
Dividend received	(30,582,008)	(23,213,652)
Depreciation, amortisation, impairment and obsolescence	2,333,457	8,314,232
Exchange difference on items grouped under financing/investing activity	(309,221,153)	18,648,100
Interest expense	3,118,902,474	1,139,518,157
Operating profit before working capital changes	1,810,651,210	1,178,823,553
Adjustments for		
(Increase)/decrease in other current assets	(32,987,601,184)	(20,534,943,758)
(Increase)/decrease in current loans and advances	5,061,991,224	1,558,780,924
(Increase)/decrease in non current loans and advances	253,896,763	(121,295,194)
Increase/(decrease) in other payables	8,151,612,096	8,267,000,351
Cash generated from operations	(17,709,449,891)	(9,651,634,124)
Direct taxes refund/(paid) (net)	-	(2,410,000)
Net cash (used in)/from operating activities	(17,709,449,891)	(9,654,044,124)
B. Cash flow from investing activities		
Purchase of fixed assets	(219,354,962)	(15,625,149)
Purchase of intangible assets	8,385,979	(3,767,739)
Purchase/sale of current investments (net)	270,506,222	(645,775,895)
Dividend received from other investments	30,582,008	23,213,652
Net cash (used in)/from investing activities (after extraordinary items)	90,119,248	(641,955,131)
C. Cash flow from financing activities		
Proceeds from issue of share capital	4,130,000,000	
Proceeds from long term borrowings	16,291,171,808	11,168,661,388
(Repayment)/Proceeds from short term borrowings (net)	-	(46,647,253)
Translation Reserve on ECB Loan	309,221,153	(16,122,129)
Interest paid	(3,118,902,474)	(1,106,310,219)
Net cash (used in)/from financing activities	17,611,490,487	9,999,581,787
Net (decrease)/increase in cash and cash equivalents (A + B + C)	(7,840,156)	(296,417,468)
Cash and cash equivalents at beginning of the year	53,670,398	350,087,866
Cash and cash equivalents at end of the year	45,830,241	53,670,398

- NOTES**
- Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements" as specified in the Companies (Accounting Standards) Rules, 2006.
 - Purchase of fixed assets includes movement of capital work-in-progress during the year.
 - Cash and cash equivalents are reflected in the Balance Sheet as follows:

	For the year ended March 31, 2013	For the year ended March 31, 2012
(a) Cash and cash equivalents disclosed under current assets [Note no.H(IV)]	45,830,241	53,670,398
(b) Cash and cash equivalents disclosed under non-current assets [Note no.G(II)]	-	-
Total cash and cash equivalents as per Cash Flow Statement	45,830,241	53,670,398

- Previous year's figures have been regrouped/reclassified wherever applicable.

As per our report attached

For and on behalf of the Board

SHARP & TANNAN

Chartered Accountants

ICAI Registration No. 000452N

by the hand of

MILIND P. PHADKE

Partner

Membership No. 33013

J. S. GILL

Manager

S. R. GODBOLE

F&A Head

S. N. ROY

Director

SUNIL S. SAPRE

Director

Place : Mumbai

Date : May 4, 2013

Place : Mumbai

Date : May 4, 2013

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	As at 31.03.2013		As at 31.03.2012	
	₹	₹	₹	₹
D(II) Current maturities of long term borrowings		-		-
D(III) Trade payables				
Due to Parent/Fellow Subsidiaries ICO [Refer Note No. R(VIII)]		56,831,572		20,068,770
Due to Ultimate Parent [Refer Note No. R(VIII)]		13,433,765,177		3,643,261,716
Others				
Liability for Revenue Goods	4,772,245		73,175,799	
Suppliers Ledger - Revenue goods/services	6,806,324,245		8,768,538,439	
Unbilled Costs AS 7 Contracts Incl. ICO	-		-	
		<u>6,811,096,490</u>		<u>8,841,714,238</u>
TOTAL		<u><u>20,301,693,239</u></u>		<u><u>12,505,044,724</u></u>
D(IV) Other current liabilities				
Interest Accrued but not Due - Term Loans		33,403,859		43,986,692
Progress bills raised AS 7 New				
Advances from customers				
Other Payables				
Liability to Provident Fund	654,379		263,300	
Liabilities TDS on Contractors Payment	31,224,847		11,847,871	
Liabilities TDS Others	26,925,380		54,019,726	
Other Payables (ICO)	475,150		476,227	
Forward Contract Payable	373,217,176		-	
		<u>432,496,932</u>		<u>66,607,124</u>
TOTAL		<u><u>465,900,791</u></u>		<u><u>110,593,816</u></u>
D(V) Short term provisions				
Provision for employee benefits				
Gratuity Unfunded plan [Refer Note No. R(IV)]	770,432		239,756	
Compensated Absences [Refer Note No. R(IV)]	1,935,392		399,462	
		<u>2,705,824</u>		<u>639,218</u>
Other provisions				
Tax Provision				
Current Taxes	-		2,410,000	
Less :				
TDS Certificate Received in Current Year	-		-	
TDS Certificate Receivables Current Year	-		-	
TDS Certificate Unlinked Current Year	-		-	
Advance Tax Installment Current Year	-		-	
		<u>-</u>		<u>2,410,000</u>
TOTAL		<u><u>2,705,824</u></u>		<u><u>3,049,218</u></u>

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**NOTE - E(I) TANGIBLE ASSETS**

FIXED ASSETS - TANGIBLE	COST/VALUATION				DEPRECIATION					BOOK VALUE		
	As at 01.04.2012	Additions	DEDUCTIONS	As at 31.03.2013	As at 01.04.2012	ADDITIONS	DEDUCTIONS	ADJUSTMENTS	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
Buildings	7,445,719	779,006	—	8,224,725	6,806,594	622,405	—	—	7,428,999	795,726	639,125	
Computers	5,067,180	2,716,604	—	7,783,784	640,419	995,486	—	—	1,635,905	6,147,879	4,426,761	
Office Equipments	1,572,315	391,664	—	1,963,979	126,067	166,135	—	—	292,202	1,671,777	1,446,248	
Aircondition and Refrigeration	962,719	178,490	—	1,141,209	80,105	88,321	—	—	168,426	972,783	882,614	
Electrical Installations	1,577,042	54,218	—	1,631,260	270,528	116,340	—	—	386,868	1,244,392	1,306,514	
Furniture and Fixtures	1,241,586	1,366,246	—	2,607,832	628,075	355,085	—	10,315	972,845	1,634,987	613,511	
Total	17,866,561	5,486,228	—	23,352,789	8,551,788	2,343,772	—	10,315	10,885,245	12,467,544	9,314,773	
Previous Year	2,754,806	15,250,597	138,842	17,866,561	376,399	8,227,119	51,730	—	8,551,788			
Add: Capital work in progress (net of deductions on account of obsolescence)										214,243,286	374,552	
										226,710,830	9,689,325	

NOTE - E(II) INTANGIBLE ASSETS

FIXED ASSETS - INTANGIBLE	COST/VALUATION				AMORTISATION					BOOK VALUE		
	As at 01.04.2012	Additions	DEDUCTIONS	As at 31.03.2013	As at 01.04.2012	ADDITIONS	DEDUCTIONS	ADJUSTMENTS	As at 31.03.2013	As at 31.03.2013	As at 31.03.2012	
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	
Specialised Softwares	—	—	—	—	—	—	—	—	—	—	—	
Lumpsum Fees for Technical Knowhow	—	—	—	—	—	—	—	—	—	—	—	
New Product Design and Development	—	—	—	—	—	—	—	—	—	—	—	
Customer relationship Intangibles	—	—	—	—	—	—	—	—	—	—	—	
Toll Collection Rights	—	—	—	—	—	—	—	—	—	—	—	
Goodwill on Consolidation ICO	—	—	—	—	—	—	—	—	—	—	—	
Goodwill	—	—	—	—	—	—	—	—	—	—	—	
Leasehold Building	—	—	—	—	—	—	—	—	—	—	—	
Patents Trademarks etc	—	—	—	—	—	—	—	—	—	—	—	
Mining Lease	—	—	—	—	—	—	—	—	—	—	—	
Jetties	—	—	—	—	—	—	—	—	—	—	—	
Total	—	—	—	—	—	—	—	—	—	—	—	
Previous Year	—	—	—	—	—	—	—	—	—	—	—	
Add: Capital work in progress (net of deductions on account of obsolescence)										—	8,385,979	
										—	8,385,979	

As at 31.03.2013

As at 31.03.2012

₹ ₹ ₹ ₹

NOTE - G(I) LONG-TERM LOANS AND ADVANCES**Unsecured**

Considered good:

Capital Advances :

ICO [Refer Note No. R(VIII)]

486,166,658

700,000,000

486,166,658

700,000,000

Security Deposits

10,987,570

6,975,070

Loan and advances to related parties

Key Management Personnel

—

—

Other loans and advances

Prepaid Expenses [Refer Note No. R(VI)]

519,374,514

563,450,435

519,374,514

563,450,435

TOTAL**1,016,528,742****1,270,425,505**

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	As at 31.03.2013		As at 31.03.2012	
	₹	₹	₹	₹
NOTE - H(I) CURRENT INVESTMENTS				
Mutual funds [Refer Note No. R (XIX)]		402,420,843		672,927,065
TOTAL		<u>402,420,843</u>		<u>672,927,065</u>
NOTE - H (IV) CASH AND BANK BALANCES				
Balances with banks				
On current accounts				
Balances with Schedule Banks Current Account	45,776,325		53,650,974	
Cash on Hand	53,916		19,424	
		45,830,241		53,670,398
TOTAL		<u>45,830,241</u>		<u>53,670,398</u>
NOTE - H (V) SHORT-TERM LOANS AND ADVANCES				
Loans and advances				
Secured, considered good:				
Secured Capital Advances		-		-
Loans Against Mortgage of House Property KMPs		-		-
Loans and advances Rent deposit KMP's (Secured)		-		-
Loans and advances Others KMPs (Secured)		-		-
Loans Against Mortgage of House Property		-		-
Other Loans ICO		-		-
Loan and advances to related parties				
Parent/Subsidiary/Fellow Subsidiary companies		-		-
Other loans and advances				
Advances to Suppliers [Refer Note NO. R (VIII)]	3,220,295,256		8,286,809,078	
Prepaid Expenses [Refer Note No. R(VI)]	45,629,377		46,798,501	
Advance to Employees	85,223		107,320	
Advances to Others (ICO)	86,118,609		74,975,000	
Income Tax Prior Years	42,285		5,472,075	
		3,352,170,750		8,414,161,974
Current Taxes		-		-
TOTAL		<u>3,352,170,750</u>		<u>8,414,161,974</u>
NOTE - H(VI) OTHER CURRENT ASSETS				
Due from customers				
Work-in-Progress at Realisable Sales Value AS 7		63,359,773,607		30,372,172,423
TOTAL		<u>63,359,773,607</u>		<u>30,372,172,423</u>

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	2012-13		2011-12	
	₹	₹	₹	₹
NOTE - K REVENUE FROM OPERATIONS				
Sales & Services				
Construction and project related activity				
WIP at close including materials				
WIP at Close Including Materials at Site Other	-		-	
WIP at Close Including Materials at Site AS 7 ICO	-		-	
WIP at Close Including Materials at Site AS 7 Other	63,359,773,607		30,372,172,423	
WIP at commencement incld				
WIP at Commencement Including Material at Site Other	-		-	
WIP at Commencement Incl. Material at site AS 7 ICO	-		-	
WIP at Commencement Incl. Material at site AS 7 Other	(30,372,172,423)		(9,837,228,665)	
Income from financing activity/annuity based projects				
Other Interest Receipts	-		-	
		32,987,601,184		20,534,943,758
Other Operational Income				
Income from services to the Group companies		-		-
Unclaimed credit balances written Back		-		-
Miscellaneous income				
Non production Scrap Sales	-		30,876	
Insurance Claim Recoveries	-		29,375	
Premium on Forward Contracts (OD Purchases)	(370,732,235)		-	
		(370,732,235)		60,251
TOTAL		32,616,868,949		20,535,004,009
NOTE - L OTHER INCOME				
Interest Income				
Interest income on Current Investment				
Other interest income		-		-
Subsidiary and Associate Companies		-		-
Interest income from ICD, customers, banks and others		-		-
Dividend Income				
Income from other investments				
Dividend Income from Mutual Funds		30,582,008		23,213,652
Miscellaneous income (net)				
Miscellaneous Income Other Receipts - Corporate		444,919		236,430
TOTAL		31,026,927		23,450,082

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	2012-13		2011-12	
	₹	₹	₹	₹
NOTE - M MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES				
Materials consumed				
Raw Material and Component				
Opening Stock Components				
Opening Stock Components ICO	-		-	
Opening Stock Components Other	-		-	
Opening stock of components transit	-		-	
Purchase Raw Materials				
Purchase Raw Materials ICO	-		-	
Purchase Raw Materials Other	-		-	
Purchase components				
Purchase Components ICO	22,476,237,111		14,749,194,371	
Purchase Components Other	9,366,901			
Freight Inwards ICO	143,981,005		308,367,298	
Closing Stock Components				
Closing Stock Components ICO	-		-	
Closing Stock Components	-		-	
Closing stock of component transit	-		-	
Less Scrap Sales Mfg Scrap	(10,026,287)		-	
		22,619,558,730		15,057,561,669
Construction Materials				
Purchase of Stock in Trade		-		-
Loose Tools				
Opening Stock - Loose Tools ICO	-		-	
Opening Stock - Loose Tools Others	-		-	
Opening Stock - Loose Tools In Transit	-		-	
Purchase - Loose Tools ICO	-		-	
Purchase - Loose Tools Others	-		-	
Write off of Loose Tools	-		-	
Closing Stock - Loose Tools ICO	-		-	
Closing Stock - Loose Tools In Transit	-		-	
Closing Stock - Loose Tools Others	-		-	
Sub-Contracting charges				
Sub Contracts Others	237,810,585		-	
Sub Contracts ICO	5,720,845,702		4,152,143,000	
		5,958,656,287		4,152,143,000
(Increase)/decrease in manufacturing and trading stocks		-		-
		28,578,215,017		19,209,704,669
Other Manufacturing, construction and operating expenses				
Power and Fuel				
Power		138,776		429,876
Packing and forwarding		-		-

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	2012-13		2011-12	
	₹	₹	₹	₹
Engineering, professional, technical and Consultancy Fees				
Engineering Professional Technical or Consultancy Fees		89,044,266		51,305,840
Insurance Manufacturing Construction				
Others MCO Activity		14,239,736		12,122,653
Rent MCO Activity				
Rent others e.g. Godown etc		1,496,939		2,205,031
Rates Taxes MCO Activity				
Water Charges paid		429,280		13,244
Travelling and Conveyance Mfg Cons				
Travelling				
Travel Inland Tickets MCO Activity	5,611,401		12,031,377	
Conveyance				
Conveyance expenses MCO Activity	10,052,334			
		15,663,735		12,031,377
General Repairs Maintenance MCO Activity				
Security services at site	6,321,205		2,675,959	
Other repairs maintenance	957,867		785,427	
		7,279,072		3,461,386
Other expenses				
Cost of Software MCO Activity	–		709,855	
Other Manufacturing Construction and Operating Expenses	939,647,474		13,435,835	
Other Manufacturing Construction and Operating Exp. ICO	–		–	
		939,647,474		14,145,690
		1,067,939,278		95,715,097
Finance cost of financial services business				
Interest expenses				
Interest Paid on Term Loans from Banks		–		–
Borrowing Costs Ancillary		–		–
Applicable gain/loss on foreign currency transactions/ translations		–		–
Other borrowing cost		–		–
Applicable gain/loss on foreign currency transactions/translations		–		–
Staff expenses for software development business				
Stock Transfer		–		–
TOTAL MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES		29,646,154,295		19,305,419,766

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

	2012-13		2011-12
	₹	₹	₹
NOTE - N EMPLOYEE BENEFIT EXPENSES			
Salaries, Wages and bonus			
Salaries			
Salaries	169,924,498		74,766,974
Leave Encashment			
Leave Encashment Provision	1,561,107		399,462
		171,485,605	75,166,436
Contribution to and provision for			
Contribution to PF			
Contribution Provision to PF Pension RPFC	2,972,053		1,612,369
Gratuity Funds			
Contribution to Gratuity Fund	-		-
Provision to Gratuity Fund	530,676		239,756
		3,502,729	1,852,125
Employee medical and other insurance premium expenses	-		-
Staff welfare expenses			
Staff Welfare Expenses	993,890		4,760,153
		993,890	4,760,153
TOTAL		175,982,224	81,778,714
NOTE - O SALES, ADMINISTRATION AND OTHER EXPENSES			
Miscellaneous Expenses			
Corporate Social Responsibility	54,211,551		1,846,006
Others incl. ICO	8,385,979		
		62,597,530	1,846,006
Allowance for doubtful debts and advances, non-performing assets (net)			
Provision for foreseeable losses on construction contracts			
Exchange Gain Loss			
Exchange Gain Loss OD - Others	(11,111,750)		-
Exchange Gain Loss IC/Unit - Creditors	(131,868,094)		(30,101,629)
Exchange Gain Loss - Forward Contract Payables	1,020,679,717		-
Exchange Gain Loss - Long Term Loans	(309,221,153)		16,122,129
		568,478,720	(13,979,500)
TOTAL		631,076,250	(12,133,494)
NOTE - P FINANCE COST			
Interest Expenses			
Debentures and fixed loans			
Interest Paid on Term loans from Banks		3,118,902,474	1,106,310,218
Others			
Borrowing Costs Ancillary	44,218,421		33,207,940
Other Interest Paid	-		-
		44,218,421	33,207,940
TOTAL		3,163,120,895	1,139,518,158

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

BRIEF DESCRIPTION OF THE COMPANY

Nabha Power Limited (NPL) is setting up a 2 X 700 MW Coal based Supercritical Thermal Power Plant at Rajpura, Punjab. NPL has signed a Power Purchase Agreement with Punjab State Power Corporation Limited (formerly, Punjab State Electricity Board) for sale of 100% power generated from the plant for a long term period of twenty five years.

NOTE - Q SIGNIFICANT ACCOUNTING POLICIES

I. Basis of accounting

The Company maintains accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ["GAAP"], in compliance with the provisions of the Companies Act, 1956 and the Accounting Standards prescribed in the Companies (Accounting Standards) Rules, 2006.

The preparation of financial statements in conformity with GAAP requires that the Management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements.

II. Leases

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of inception.

- i. Assets given under leases where the Company has transferred substantially all the risks and rewards of ownership to lessee, are classified as finance leases. Where under a contract, the Company has agreed to manufacture/construct an asset and convey, in substance, a right to the beneficiary to use the asset over a major part of its economic life, for a pre-determined consideration, such arrangement is also accounted as finance lease.
- ii. Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Wherever the asset is manufactured/constructed by the Company, the fair value of the asset, representing the net investment in the lease, is recognised as sales revenue in accordance with the Company's revenue recognition policy. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

III. REVENUE RECOGNITION

In case of assets given on finance lease, wherever the asset is constructed by the Company, the fair value of the asset, representing the net investment in the lease, is recognised as contract revenue in accordance with the Company's revenue recognition policy for construction contracts as follows:.

Contract revenue is recognized only to the extent of cost incurred till such time the outcome of the job cannot be ascertained reliably. When the outcome of the contract is ascertained reliably contract revenue is recognized at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date to the total estimated contract costs. Expected loss, if any, on the construction/project related activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While determining the amount of foreseeable loss, all elements of costs and related incidental income not included in contract revenue is taken into consideration.

IV. FIXED ASSETS

Fixed assets are stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation.

V. DEPRECIATION

Depreciation on assets has been provided on straight line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. However, in respect of Furniture and fixtures, office equipment, electrical equipment and Air conditioners, the depreciation is provided at higher rates in line with their estimated useful life. The rates considered for current year are as follows:

Asset Category	%
Furniture & Fixtures	10.00%
Office Equipment	6.67%
Computers	16.21%
Electrical Equipment	6.67%
Air Conditioner	8.33%
Temporary Building	100%

Depreciation for, additions/deductions is calculated pro rata from/to the month of additions/deductions.

VI. INVESTMENTS

Current investments are carried at lower of cost or market value.

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

VII. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

- a) The Company has a present obligation as a result of a past event.
- b) A probable outflow of resources is expected to settle the obligation and
- c) The amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent Liability is disclosed in the case of

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources will be required to settle the obligation.
- b) a present obligation when no reliable estimate is possible; and
- c) a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent Assets are neither recognized nor disclosed.

Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date.

VIII. BORROWING COST

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of such asset till such time as the asset is ready for the intended use. In addition to Interest charges, borrowing costs also include amortized ancillary costs incurred in connection with the arrangement of borrowings, exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. A qualifying asset is an asset that necessarily requires substantial period of time to get ready for its intended use.

IX. INTANGIBLE ASSETS

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to asset will flow to the enterprise and the cost of the asset can be measured reliably.

X. FOREIGN CURRENCY TRANSACTIONS, FOREIGN OPERATIONS, FORWARD CONTRACTS AND DERIVATIVES

- a. The reporting currency of the Company is Indian rupee
- b. Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items, carried at historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.
- c. Forward contracts, other than those entered into to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions, are treated as foreign currency transactions and accounted accordingly as per Accounting Standard (AS) 11 "The effects of changes in foreign exchange rate". Gains and losses arising on account of roll over/cancellation of forward contracts are recognised as income/expense of the period in which such roll over/cancellation takes place. All other forward contracts entered into to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognised in the financial statement at fair value as on the Balance Sheet date as per Accounting Standard (AS 30) "Financial Instrument: Recognition and Measurement.

XI. CASH FLOW STATEMENT

Cash Flow Statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method.

Under Indirect method, the profit is adjusted for effects of:

- i. Transactions of non-cash nature
- ii. Any deferrals or accruals of past or future operating cash receipts of payments and
- iii. Items of income or expense associated with investing or financing cash flows

Cash and cash equivalents (including bank balances) are reflected as such in the Cash Flow Statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are included under this category with specific disclosure.

NOTE - R OTHER NOTES FORMING PART OF ACCOUNTS

- I. The Company has not yet commenced the generation of power and hence, disclosure of information under paragraph 4C of Part II of Schedule VI of the Companies Act, 1956 is not applicable.
- II. The Company has drawn a Profit & Loss Account to comply with the provisions of Companies Act, 1956, though commercial operations of generation and sale of power have not commenced.

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**III. Disclosures pursuant to Accounting Standard (AS7) (Revised) "Construction Contracts"**

Particulars	2012-13	2011-12
	₹	₹
i. Contract Revenue recognized for the Financial year	32,98,76,01,184	20,53,49,43,758
ii. Aggregate amount of Contract costs incurred as at end of Financial year for all contracts in progress as at that date	63,35,97,73,607	30,37,21,72,423
iii. Amount of customer advances outstanding for contracts in progress as at end of the Financial year	-	-
iv. Retention amounts due from customers for the contracts in progress as at end of the Financial year	-	-

IV. Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits"

- a. Provision for Gratuity ₹ 5,30,676 (*Previous year ₹ 2,39,756*) as per the provisions of Payment of Gratuity Act, 1972 is made on actuarial basis as follows:

Amounts recognized in Balance Sheet:

Particulars	2012-13	2011-12
	₹	₹
Present Values of unfunded Obligations	7,70,432	2,39,756
Amount in Balance Sheet		
Current Liabilities	7,70,432	2,39,756

Expense recognized in statement of Profit & Loss Account:

Particulars	2012-13	2011-12
	₹	₹
Current Service Cost	3,11,487	2,39,756
Interest on Defined Benefit Obligation	47,229	
Net Actuarial Losses/(Gains) Recognized in Year	1,71,960	

The changes in the present value of defined benefit obligation representing reconciliation of opening & closing balances thereof are as follows:

Particulars	2012-13	2011-12
	₹	₹
Opening balance of Present value of defined benefit obligation	2,39,756	-
Add:		
Current Service Cost	3,11,487	2,39,756
Interest on Defined Benefit Obligation	47,229	
Net Actuarial Losses/(Gains) Recognized in Year	1,71,960	
Closing balance of Present value of defined benefit obligation	7,70,432	2,39,756

Experience Adjustment:

Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
	₹	₹	₹	₹	₹
Defined benefit Obligation	7,70,432	2,39,756	-	-	-
Plan Asset	-	-	-	-	-
Surplus/(deficit)	(7,70,432)	(2,39,756)	-	-	-
Exp. Adj. on Plan Liabilities	1,22,986	-	-	-	-
Exp. Adj. on Plan Asset	-	-	-	-	-

NOTES FORMING PART OF THE ACCOUNTS (Contd.)**Principal actuarial assumption at the Balance Sheet date:**

Particulars	2012-13	2011-12
	%	%
(i) Discounting Rate (Gratuity Plan)	8.09% p.a.	8.59% p.a.
(ii) Salary Growth Rate (Gratuity Plan)	5.00% p.a.	5.00% p.a.

- (iii) **Discount Rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the Balance Sheet date for the estimated term of the obligations.
- (iv) **Expected Rate of Return on Plan Assets:** This is based on our expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.
- (v) **Salary Escalation Rate:** The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
- (vi) **Retirement Age:** The employees of the Company are assumed to retire at the age of 58 years.
- (vii) **Mortality:** Published rates under the LIC (1994-96) mortality tables. Rates of Indian Assured Lives Mortality table at specimen ages are as shown below:

Age (Years)	Rates
18	0.000800
23	0.000961
28	0.001017
33	0.001164
38	0.001549
43	0.002350
48	0.003983
53	0.006643
58	0.009944

- (viii) **Leaving Service:** Rates of leaving service at specimen ages are as shown below

Age (Years)	Rates
21-25	3%
26-35	6%
36-45	2%
46-57	1%

- (ix) **Disability:** Leaving service due to disability is included in the provision made for all causes of leaving service.

b. Provision for leave encashment ₹ 15,61,107 (*Previous year ₹ 3,99,462*) is made on actuarial basis.

V. An amount of ₹ 311,89,02,474 (*Previous year ₹ 110,63,10,218*) towards borrowing costs for qualifying asset is inventoried during the year

VI. Amortization of expenditure:

Financial Closure Expenses are amortized over the tenure of loan. Details as under:

Particulars	Expense Amount	Amortization			Balance
		Up to 31.03.2012	For 2012-13	Total	
Financial Closure Expenditure	49,71,44,159	4,97,18,748	3,31,47,276	8,28,66,024	41,42,78,135
ECB Loan Processing Charges	16,03,04,109	60,664	1,10,71,145	1,11,31,809	14,91,72,300

VII. Disclosure pursuant to Accounting Standard (AS) 17 "Segment Reporting"

Company is engaged in single segment; hence requirement of reporting of primary segment does not arise. The Company does not have any exports; hence, requirement of disclosure of secondary/geographical segment reporting does not arise.

VIII. Disclosure pursuant to Accounting Standard (AS) 18 "Related party disclosures"

- a. List of related parties who can exercise control:

Sr. No.	Name of Related Party	Relationship
1	Larsen & Toubro Limited	Ultimate Holding Company
2	L&T Power Development Limited	Holding Company

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

b. Name of related party with whom transactions were carried out during the year and description of relationship:

S.No.	Name of the Related party	Relationship
1.	Larsen & Toubro Limited (L&T)	Ultimate Holding Company
2.	L&T Power Development Limited (L&T PDL)	Holding Company
3.	L&T-Sargent & Lundy Limited	Fellow Subsidiary Company
4.	L&T-MHI Boilers Private Limited	Fellow Subsidiary Company
5.	L&T Infrastructure Finance Company Limited	Fellow Subsidiary Company
6.	L&T Capital Company Limited	Fellow Subsidiary Company

c. Disclosure of related party transactions:

S. No.	Name/Relationship/Nature of transaction	2012-13	2011-12
		₹	₹
I	Ultimate Holding Company		
	Larsen & Toubro Limited		
	Advance Adjustment – L&T Contract	(5,28,49,84,133)	(1,67,90,07,645)
	Retention Money – L&T Contract	4,35,10,36,410	220,03,28,929
	Expenses reimbursed	12,00,21,223	6,36,76,618
	Purchase of Goods & Services	28,42,43,36,607	18,88,95,11,371
	Community Welfare	4,08,11,000	–
	Capital WIP	21,38,68,734	–
II	Holding Company		
	L&T Power Development Limited		
	Professional Fees & Business Support Services	5,67,43,123	2,47,65,801
	Inter Company Borrowing	–	(4,66,47,253)
	Investment in Equity Shares	1,87,00,00,000	–
	Advance against equity commitment	2,26,00,00,000	–
III	Fellow Subsidiary Company		
	L&T-Sargent & Lundy Limited		
	Professional Fees	22,82,235	65,26,285
	Expenses Reimbursement	64,409	–
	L&T Infrastructure Finance Company Limited		
	Professional Fee	5,05,62,000	–
	L&T-MHI Boilers Private Limited		
	Expenses Reimbursement	91,325	1,78,167
	L&T Capital Company Limited		
	Mutual Fund-Investment	454,03,00,000	341,67,44,877
Mutual Fund- Redemption	4,39,03,74,405	326,96,43,978	
	Mutual Find- Dividend Received	1,22,28,737	92,46,029

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

d. Amount due to and due from related parties:

Sl. No.	Particulars	As at 31.03.2013		As at 31.03.2012	
		₹		₹	
		Due to	Due from	Due to	Due from
I	Due to ultimate holding Company: Larsen & Toubro Limited	1343,37,65,177	369,59,73,904	3,64,32,61,716	8,98,09,57,771
II	Due to holding Company: L&T Power Development Limited (Including ICB)	71,70,21,548		72,55,36,183	
III	Due to fellow subsidiary Company: L&T Infrastructure Finance Company Limited	4,55,05,800			
	L&T-Sargent & Lundy Limited	2,42,698		5,12,673	
	L&T-MHI Boilers Private Limited	61,526		19,914	
	L&T Capital Company Limited	-	33,69,30,289		17,47,75,957

IX. Basic and diluted earnings per share (EPS) computed in accordance with pursuant to Accounting Standard (AS) "Earning per Share"

Particulars	2012-13	2011-12
Basic		
Profit as per Profit and Loss Account (₹) -	(97,07,81,560)	3,31,46,715
Average number of equity shares outstanding -	99,76,85,792	96,00,00,000
Basic EPS (₹)	(0.97)	0.03
Diluted		
Profit as per Profit and Loss Account (₹) -	(97,07,81,560)	3,31,46,715
Average number of equity shares outstanding -	103,51,99,454	96,00,00,000
Average number of equity shares to be allotted on conversion of advance towards equity to equity -		
Average number of equity shares to be outstanding -		
Diluted EPS (₹) -	(0.94)	0.03

X. As on March 31, 2013, Contingent Liabilities - ₹ Nil (Previous year- ₹ Nil).

The Company has furnished an undertaking to the Punjab Sales Tax department for deferment of Entry tax payment in line with an interim order of the Punjab & Haryana High court which allows companies to import material from other states into Punjab without payment of Entry Tax till a final decision is awarded in cases pending with the Court. In view of this interim order and similar orders in other states the Company considers probability of outflow in this matter to be remote.

The Company has filed an appeal with Appellate Tribunal for Electricity against an impugned order of the Punjab State Electricity Regulatory Commission towards a claim by Punjab State Power Corporation Limited for passing on fiscal benefits towards Mega Power Status. As on the Balance Sheet date, Company's assessment of probability of outflow in this matter is remote.

NOTES FORMING PART OF THE ACCOUNTS (Contd.)

XI. In line with the Company's risk management policy, the financial risks mainly related to changes in exchange rates are hedged by entering into forward contracts.

Particulars of Forward Contracts entered for hedging purpose outstanding as at March 31, 2013:

Particulars	Amount of exposure hedged	
	As at 31.03.2013	As at 31.03.2012
i. Forward Contracts for payables towards firm commitments and highly probable forecasted transactions	4,56,02,22,901	—
ii. Forward Contracts for repayment of Foreign currency Loan (ECB)	1,78,48,74,898	—

Un-hedged Foreign currency Exposure

Payables including firm commitments and highly probable forecasted transactions:

- b. Firm commitment – ₹ 4,61,26,895 (Previous year - ₹ 11,92,64,90,268).
c. ECB Loan – ₹ 59,49,55,758 (Previous year- ₹ 1,50,86,61,389).

XII. ECB Loan balance as on March 31, 2013 ₹ 2,37,98,33,197 (Previous year: ₹ 1,50,86,61,389) includes reinstatement exchange gain amount of ₹ 30,92,21,153 (Previous year loss: ₹ 1,61,22,129).

XIII. The Company has got sanctioned secured loan of ₹ 7,200 Crores through syndication of 24 Banks against the security of mortgage and hypothecation of its assets and receivables over the period of loan. Part of this sanctioned loan is refinanced through External Commercial Borrowing (ECB) route for JPY 10,46,22,80,000 towards specific purchases.

65% of the INR loan is repayable in 44 structured installments from July 2014 to June 2025 and the balance 35% shall be paid as a bullet repayment at the end of the loan tenor. Interest is payable on a monthly basis.

The ECB is repayable in twenty four equitable half yearly installments starting from September 2014 and ending on March 2026. Interest is payable half yearly.

XIV. The Company has taken interest free Inter Corporate Borrowing from its holding Company- L&T Power Development Limited. Balance as on March 31, 2013 is ₹ 70,60,00,000 (Previous year ₹ 70,60,00,000).

XV. There are no amounts due to micro and small enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006.

XVI. Auditors' remuneration (excluding service tax) :

Particulars	2012-13	2011-12
	₹	₹
Audit Fees	1,50,000	1,50,000
Other Matters	67,104	48,814
Reimbursement of expenses	1,68,285	3,662
TOTAL	3,85,389	2,02,476

XVII. Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2013 is ₹ Nil. (Previous year: ₹ Nil).

XVIII. Expenditure in foreign currency:

Foreign Travel: ₹ 4,28,373 (Previous Year: ₹ 3,74,777).

XIX. Aggregate value of unquoted investment is ₹ 40,24,20,843 (Previous Year: ₹ 67,29,27,065).

XX. Figures for the previous year have been regrouped/reclassified wherever necessary.