

## ***DIRECTORS' REPORT***

The Directors have pleasure in presenting their Annual report and Accounts for the year ended March 31, 2011.

### **FINANCIAL RESULTS**

Your Company's project is under implementation and accordingly the Company carried forward the project expenditure as Construction Work in Progress (at cost) Rs. 4,74,07,10,187. The Company earned income of Rs. 2,03,45,362 being interest on Fixed Deposit and Mutual Fund dividend.

### **DIVIDENDS / APPROPRIATIONS**

There were no appropriations to any reserve during the year, nor any declaration of dividend.

### **CAPITAL EXPENDITURE**

The Company has gross block of Rs. 27,54,806. Depreciation & Amortization of Rs. 376,398 is charged upto March 31, 2011.

### **AUDITORS' REPORT**

The Auditors Report to the Shareholders does not contain any qualifications.

### **PERFORMANCE OF THE COMPANY**

The Directors are satisfied with the progress so far in implementing the project.

### **DEPOSITS**

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

### **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.

### **DISCLOSURE OF PARTICULARS RELATING TO 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 and no earnings or outgo of any foreign currency during the year 2010-11.

### **PARTICULARS OF EMPLOYEES U/S 217(2A)**

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

### **SUBSIDIARY COMPANIES**

Your Company does not have any subsidiary company.

### **DIRECTORS RESPONSIBILITY STATEMENT**

The Board of Directors of the Company confirm :

- 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, 2011 .
- 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; and
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.

### **DIRECTORS**

During the year under review, Mr. R. K. Sharma and Mr. Y. V. S. Sravankumar resigned from the Board with effect from October 7, 2010 and Mr. A. K. Chhatwani resigned from the Board from October 15, 2010.

Mr. K. Venkataramanan, Mr. S. N. Roy and Mr. P. S. Kapoor were appointed as Additional Directors with effect from October 7, 2010 of the Company. Members' approval is sought to appoint Mr. K. Venkataramanan, Mr. S. N. Roy and Mr. P. S. Kapoor as the Directors of the Company in the ensuing Annual General Meeting.

**COMPLIANCE WITH VOLUNTARY CORPORATE GOVERNANCE GUIDELINES, 2009**

Our compliance with the guidelines is given below –

**A] 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. Directors are updated about their role, responsibilities and liabilities.

Number of Companies in which an Individual may become a Director

The Company has apprised its Board Members about the restriction on number of other directorships and expects in due course to comply with the same.

**B] STATUTORY AUDITORS**

The statutory auditors, M/s. Sharp & Tannan, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from Auditors has been received to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

**C] INTERNAL AUDITORS**

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

**D] INTERNAL CONTROL**

The Board ensures the effectiveness of the Company's system of internal controls.

**E] SECRETARIAL AUDIT**

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

**F] RELATED PARTIES TRANSACTION**

As required under the Voluntary Corporate Governance Guidelines, 2009, the Board hereby states that the details of all the related party transactions form part of the accounts as required under Accounting Standard 18 and the same forms part of this Annual Report.

**ACKNOWLEDGEMENTS**

The Directors acknowledge the invaluable support extended to the Company by the employees of the Company and management of the parent company.

For and on behalf of the Board

Place : Mumbai

Date : April 27, 2011

**S. N. ROY**

Director

**P. S. KAPOOR**

Director

## **AUDITORS' REPORT**

### **TO THE MEMBERS OF NABHA POWER LIMITED**

We have audited the attached Balance Sheet of Nabha Power Limited as at March 31, 2011, the Profit & Loss Account and the Cash Flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- (1) As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956 and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) Further to our comments in the Annexure referred to on Paragraph (1) above, 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 Profit & 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 Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.
  - (e) On the basis of the written representations received from directors of the Company as on March 31, 2011, & taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as director in terms of Section 274(1)(g) of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the significant accounting policies in Schedule K and note no. 6 regarding treatment of Power Purchase Agreement as Leases and other notes forming part of accounts in Schedule L, give in the prescribed manner the information required by the Companies Act, 1956, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**

*Chartered Accountants  
ICAI Registration No. 000452N  
by the hand of*

**MILIND P. PHADKE**

*Partner  
Membership No. 33013*

*Place: Mumbai*

*Date: April 27, 2011*

## **ANNEXURE TO THE 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 our opinion, the 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 period. 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, firm 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 Order 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, firm 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 Order are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weakness in the aforesaid internal control systems.
- v. (a) According to the information and explanations given to us, we are of the opinion that the particulars of the contracts or arrangements that need to be entered in the register maintained under Sec. 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 contract 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. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed thereunder.
- vii. We are informed that, being in a 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. 387(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 like Income Tax, Wealth Tax, Service Tax and other material 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, 2011, for a period of more than six months from the date they became payable.
  - (b) As per information and explanations furnished to us and the records of the Company examined by us there were no dues of Income Tax, Wealth Tax, Service Tax & Cess which have not been deposited on account of any dispute.
- x. The Company has been registered for a period less than 5 years and is yet to commence its commercial operations and hence reporting under clause 4(x) of the Companies (Auditor's Report) Order, 2003, regarding accumulated losses and cash losses does not arise.
- xi. According to the records of the Company examined by us and the informations / explanations given to us, the Company has not defaulted in repayment of dues to any financial institution 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. According to the information and explanations given to us, the nature of activities of the company does not attract any special statute applicable to chit fund and nidhi / mutual benefit fund / Societies.
- xiv. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company has invested surplus funds in mutual funds. According to the information and explanations given to us, proper records have been maintained 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 banks or financial institutions during the year.

NABHA POWER LIMITED

- xvi. In our opinion and according to the information and explanations given to us, on an overall basis the term loans have been applied for the purposes for which they were obtained.
- xvii. According to information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis have been 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 Act during the year under audit, 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. Hence, reporting on paragraph 4(xix) of the Order pertaining to creation of security or charge for debentures does not arise.
- xx. The Company has not raised any money through a public issue during the year; accordingly, paragraph 4(xx) of the Order 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*

*Place: Mumbai*  
*Date: April 27, 2011*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 33013*

**BALANCE SHEET AS AT MARCH 31, 2011**

Schedules	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Funds</b>				
Share Capital	A	9,600,000,000		500,000
Advance towards Equity		–		7,321,597,253
Reserves & Surplus		14,936,807		1,270,588
<b>Loan Funds</b>				
Secured Loans	B	6,687,025,206		–
Unsecured Loans	C	752,647,253		–
<b>TOTAL</b>		<b>17,054,609,266</b>		<b>7,323,367,841</b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
<b>Tangible Assets</b>				
Gross Block		2,754,805		571,130
Less: Depreciation		376,398		104,894
Net Block		2,378,407		466,236
<b>Intangible Assets</b>				
Gross Block		–		–
Less: Amortization		–		–
Net Block		–		–
Capital Work-in-Progress		4,618,240		–
		6,996,647		466,236
<b>Investments</b>	E	27,151,170		20,002,312
<b>Current Assets, Loans &amp; Advances</b>				
Cash and Bank Balances	F	350,087,866		332,561,856
Inventory		9,837,228,665		5,096,518,478
Loans & Advances		11,149,071,148		1,887,049,872
		21,336,387,679		7,316,130,206
<b>Less: Current Liabilities &amp; Provisions</b>				
Current Liabilities	G	4,315,926,230		13,230,913
Provisions		–		–
		4,315,926,230		13,230,913
<b>Net Current Assets</b>		<b>17,020,461,449</b>		<b>7,302,899,293</b>
<b>TOTAL</b>		<b>17,054,609,266</b>		<b>7,323,367,841</b>
<b>SIGNIFICANT ACCOUNTING POLICIES</b>				
<b>NOTES ON ACCOUNTS</b>				

The schedules referred to above and the notes attached form an integral part of the financial statements.

As per our report attached  
**SHARP & TANNAN**  
 Chartered Accountants  
 (ICAI Registration No. 000452N)  
 by the hand of

For and on behalf of the Board

**MILIND P. PHADKE**  
 Partner  
 Membership No. 33013  
 Place : Mumbai  
 Date : April 27, 2011

**S. N. ROY**  
 Director

**P. S. KAPOOR**  
 Director

Place : Mumbai  
 Date : April 27, 2011

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011**

	Schedule	2010-2011 Rupees	2009-2010 Rupees
<b>INCOME</b>			
<b>Sales &amp; Services</b>			
Construction WIP at Cost		4,740,710,187	5,096,518,478
Other Income	H	20,345,362	6,962,012
<b>TOTAL</b>		<b>4,761,055,549</b>	<b>5,103,480,490</b>
<b>EXPENDITURE</b>			
Construction expenses	I	4,740,710,187	5,096,518,478
Selling, Administration and Other Expenses	J	469,143	5,050,000
<b>TOTAL</b>		<b>4,741,179,330</b>	<b>5,101,568,478</b>
Profit / (Loss) for the period		19,876,219	1,912,012
Provision for Taxes			
Current Tax		6,210,000	600,000
Profit / (Loss) after Tax		13,666,219	1,312,012
Prior period adjustment			
Preliminary Expenses written off		-	41,424
<b>Balance Brought forward from Previous Year</b>		<b>1,270,588</b>	<b>-</b>
<b>Balance carried to Balance Sheet</b>		<b>14,936,807</b>	<b>1,270,588</b>
Basic Earning per share		0.03	25.41
Diluted Earning per share		0.03	0.01
Face Value per Share		10	10
<b>SIGNIFICANT ACCOUNTING POLICIES</b>	K		
<b>NOTES ON ACCOUNTS</b>	L		

The schedules referred to above form part of Profit & Loss Account.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 33013  
Place : Mumbai  
Date : April 27, 2011

For and on behalf of the Board

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : April 27, 2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011**

	2010-2011 Rupees	2009-2010 Rupees
<b>A Cash Flow from Operating activities</b>		
<b>Net Profit / (Loss) before tax &amp; extraordinary items</b>	<b>19,876,219</b>	<b>1,912,012</b>
<b>Adjustment for :</b>		
Dividend Received	(2,053,398)	-
Depreciation and Amortization	-	-
Translation reserve	-	-
Unrealized foreign exchange difference - net (gain) / loss	-	-
Interest Expenses	-	-
Interest Income	(18,291,964)	-
(Profit) / Loss on sale of investments (net)	-	-
(Profit) / Loss on sale of fixed assets (net)	-	-
Provision for diminution of value of investments	-	-
<b>Operating Profit before working capital changes</b>	<b>(469,143)</b>	<b>1,912,012</b>
<b>Adjustments for :</b>		
(Increase) / Decrease in Other receivables	-	-
(Increase) / Decrease in Inventories	(4,453,544,801)	(810,365,244)
(Increase) / Decrease in Loans and Advances	(9,262,021,275)	(1,882,792,828)
Increase / (Decrease) in Other payables	4,302,695,318	(4,921,418)
<b>Cash generated from operations</b>	<b>(9,413,339,902)</b>	<b>(2,696,167,478)</b>
Direct taxes paid	(6,210,000)	-
<b>Net Cash inflow from Operating Activities (A)</b>	<b>(9,419,549,902)</b>	<b>(2,696,167,478)</b>
<b>B. Cash Flow from Investing activities</b>		
Purchase of Fixed Assets	(6,801,916)	(41,640)
Interest received	18,291,964	-
Purchase of investments	(7,148,858)	(20,002,312)
Sale of Fixed Assets	-	-
Dividend received from other investments	2,053,398	-
<b>Net Cash used in Investing Activities (B)</b>	<b>6,394,588</b>	<b>(20,043,952)</b>
<b>C. Cash Flow from Financing Activities</b>		
Issue of Equity shares and advance against share capital	2,277,902,747	7,321,597,253
(Repayment) / Proceeds from other borrowings	7,439,672,459	(4,595,866,192)
Interest paid	(286,893,882)	-
<b>Net cash from Financing Activities (C)</b>	<b>9,430,681,324</b>	<b>2,725,731,061</b>
Net increase in cash and cash equivalents (A+B+C)	17,526,010	9,519,632
Cash and Cash equivalents as at the beginning	332,561,856	323,042,224
Cash and Cash equivalents as at the end	<b>350,087,866</b>	<b>332,561,856</b>

**Notes:**

- Cash Flow Statement has been prepared under the Indirect Method as set out in the Accounting Standard AS (3): 'Cash Flow Statements issued under the Companies (Accounting Standard) Rules, 2006.
- Cash and cash equivalents represent cash and bank balances.
- Previous period's figures have been regrouped / reclassified wherever applicable.

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
by the hand of

For and on behalf of the Board

**MILIND P. PHADKE**  
Partner  
Membership No. 33013  
Place : Mumbai  
Date : April 27, 2011

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : April 27, 2011



## SCHEDULES FORMING PART OF ACCOUNTS

	As at 31.03.2011 Rupees	As at 31.03.2010 Rupees
<b>SCHEDULE A</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised:</b>		
Current Year: 2,40,00,00,000 Equity Shares of Rs. 10/- each (Previous Year: 1,00,000 Equity Shares of Rs. 10/- each)	<b>24,000,000,000</b>	<b>1,000,000</b>
<b>Issued, Subscribed &amp; Paid-up</b>		
960,000,000 Equity Shares of Rs. 10/- each fully paid up. (Previous Year: 50,000 equity shares of Rs.10/- each) (959,950,000 Equity shares of Rs. 10 each issued in the current year)	<b>9,600,000,000</b>	<b>500,000</b>
(All the shares are held by L&T Power Development Limited-the holding company and its nominees as on March 31, 2011)		
<b>TOTAL</b>	<b>9,600,000,000</b>	<b>500,000</b>

<b>SCHEDULE B</b>		
<b>SECURED LOANS</b>		
Axis Bank Limited	<b>2,987,025,206</b>	-
Punjab National Bank	<b>1,850,000,000</b>	-
ICICI Bank Limited	<b>1,850,000,000</b>	-
<b>TOTAL</b>	<b>6,687,025,206</b>	-

<b>SCHEDULE C</b>		
<b>UNSECURED LOANS</b>		
Inter Corporate Borrowings from L&T Power Development Limited	<b>752,647,253</b>	-
<b>TOTAL</b>	<b>752,647,253</b>	-

### SCHEDULE - D

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions during the year	Deductions/ Adjustment for the year	As at 31.03.2011	Upto 31.03.2010	Depreciation for the year	Deductions/ Adjustment for the year	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Tangible Assets -										
Furniture & Fixtures	227,612	108,297	-	335,909	46,809	49,195	-	96,005	239,904	180,803
Office Equipment	103,052	49,130	-	152,182	15,193	14,716	-	29,909	122,273	87,859
Computers	123,322	726,372	-	849,694	25,417	71,331	-	96,747	752,946	97,905
Electrical Equipment	23,328	1,144,137	-	1,167,465	3,798	110,084	-	113,881	1,053,583	19,530
Air conditioner	93,816	155,740	-	249,556	13,677	26,179	-	39,855	209,700	80,139
<b>Total</b>	<b>571,130</b>	<b>2,183,676</b>	<b>-</b>	<b>2,754,805</b>	<b>104,894</b>	<b>271,504</b>	<b>-</b>	<b>376,398</b>	<b>2,378,407</b>	<b>466,236</b>
Previous Year	745,033	41,640	(215,543)	571,130	212,396	57,591	(165,093)	104,894	466,236	-
Capital Work in Progress										

	Gross Block				Amortisation				Book Value	
	As at 01.04.2010	Additions during the year	Deduction / Adjustment for the year	As at 31.03.2011	Up to 31.03.2010	Depreciation for the year	Deduction / Adjustment for the year	Up to 31.03.2011	As at 31.03.2011	As at 31.03.2010
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Intangible Assets									-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Previous Year										
Capital Work in Progress									4,618,240	-

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - E</b>				
<b>INVESTMENTS</b>				
<b>Current Investments</b>				
Mutual Funds				
L&T Liquid Inst Daily Dividend Reinvestment Plan		18,429,026		–
ICICI Prudential Flexible Income Plan Premium - Daily Div.		8,722,144		10,001,531
LIC Nomura MF Savings Plus Fund Daily Dividend Plan		–		10,000,781
<b>TOTAL</b>		<b>27,151,170</b>		<b>20,002,312</b>

**Details of Investment Purchased and Sold during the Year**

Particulars	As at 31.03.2011		As at 31.03.2010	
	Units	Rs.	Units	Rs.
ICICI Prudential Liquid Super Institutional Plan - Daily Div.	74,992	7,500,874	99,993	10,001,531
ICICI Prudential Flexible Income Plan Premium - Daily Div.	89,847	9,500,000	–	–
LIC Nomura MF Liquid Fund - Dividend Plan	637,572	7,000,599	910,810	10,000,781
LIC Nomura MF Savings Plus Fund Daily Dividend Plan	1,738,485	17,384,848	–	–
HDFC Cash Management Fund - Savings Plan - Daily Div. Reinv.	987,314	10,501,464	–	–
HDFC Floating Rate Income fund - Short term plan - Div. Reinv.	753,644	7,597,409	–	–
L&T Liquid Inst Daily Dividend Reinvestment Plan	17,728,186	179,343,647	–	–
Axis Liquid Fund - Daily Dividend Reinvestment	11,077	11,077,519	–	–

**SCHEDULE - F****CURRENT ASSETS, LOANS & ADVANCES****Cash and Bank Balances**

Cash on hand	–	–	–	–
Balances with scheduled banks				
In Current Account	28,472,588		8,489,449	
In Fixed Deposits (including interest accrued thereon Rs. 52,65,277, Previous year Rs. 77,22,407) (Pledged with HDFC Bank as security for Bank Guarantee)	321,615,277		324,072,407	
		<b>350,087,866</b>		<b>332,561,856</b>

**Inventory**

Due from customer :

Work in Progress:

Construction related work in progress				
At Cost		9,837,228,665		5,096,518,478

**Loans and Advances**

Unsecured				
Considered good				
Advances recoverable in cash or in kind or for value to be received from				
Ultimate Parent	10,659,965,416		1,878,786,571	
Others	489,105,732		8,263,301	

<b>TOTAL</b>		<b>11,149,071,148</b>		<b>1,887,049,872</b>
		<b>21,336,387,679</b>		<b>7,316,130,206</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	As at 31.03.2011	As at 31.03.2010
	<u>Rupees</u>	<u>Rupees</u>
<b>Advances recoverable in cash or in kind</b>		
Unamortised Financial closure expenses	480,572,687	–
Deposits	2,149,250	2,500
TDS on FD interest (Net of Provision for tax Rs. 62,10,000, <i>Previous Year - 6,00,000</i> )	5,775,982	7,734,801
Imprest with PSEB	500,000	500,000
Advance Tax	26,000	26,000
Others	81,813	–
<b>TOTAL</b>	<b>489,105,732</b>	<b>8,263,301</b>
<b>SCHEDULE - G</b>		
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>		
<b>Liabilities</b>		
Sundry Creditors		
Due from Micro Small and Medium Enterprises	–	–
Due to Ultimate Holding Company - Larsen & Toubro Limited	4,294,316,921	8,187,051
Due to Holding Company - L&T Power Development Limited	11,172,037	1,242,057
Due to Fellow subsidiaries	688,584	–
Others	9,748,688	3,801,805
	<u>4,315,926,230</u>	<u>13,230,913</u>
<b>TOTAL</b>	<b>4,315,926,230</b>	<b>13,230,913</b>
<b>Sundry Creditors -Others</b>		
Liabilities for expenses	6,737,764	178,555
TDS Payable	3,010,924	3,623,250
	<u>9,748,688</u>	<u>3,801,805</u>
	2010-2011	2009-2010
	<u>Rupees</u>	<u>Rupees</u>
	<u>Rupees</u>	<u>Rupees</u>
<b>SCHEDULE H</b>		
<b>OTHER INCOME</b>		
Interest Income	18,291,964	6,959,700
Dividend Income	2,053,398	2,312
<b>TOTAL</b>	<b>20,345,362</b>	<b>6,962,012</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2010-2011		2009-2010	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE I</b>				
<b>CONSTRUCTION EXPENSES</b>				
Construction expenses incurred		<b>4,740,710,187</b>		<b>5,096,518,478</b>
<b>TOTAL</b>		<b>4,740,710,187</b>		<b>5,096,518,478</b>
<b>CONSTRUCTION EXPENSES</b>				
Land		–		4,116,731,045
Construction Cost		<b>4,367,512,674</b>		–
Interest - Net of Interest Income		<b>286,893,882</b>		528,238,234
Pre operative Expenses		–		386,045,194
Professional Fees		<b>37,912,968</b>		33,869,670
Rates & Taxes including statutory fees		<b>24,905,008</b>		3,000,000
Deputation Cost		<b>10,760,295</b>		–
Travelling & Vehicle Hiring Expenses		<b>2,956,377</b>		1,298,984
Bank Charges		<b>2,600,970</b>		1,996,223
Sundry Expenses		<b>2,264,008</b>		–
Office Administration & General Expenses		<b>1,489,592</b>		9,459,502
Security Expenses		<b>1,378,822</b>		712,324
Rent		<b>748,975</b>		409,740
Repairs & Maintainance		<b>455,943</b>		215,543
Depreciation		<b>271,504</b>		(107,502)
Electricity Charges		<b>224,094</b>		50,301
Books & Periodicals		<b>181,044</b>		101,455
Telephone & Communication Expenses		<b>93,730</b>		63,813
Audit Fees		<b>60,300</b>		50,000
Employees Cost		–		12,837,678
Advertisement Expenses		–		1,546,274
<b>TOTAL</b>		<b>4,740,710,187</b>		<b>5,096,518,478</b>
<b>SCHEDULE J</b>				
<b>SELLING ADMINISTRATIVE AND OTHER EXPENSES</b>				
Community Welfare Expenses		<b>469,143</b>		<b>5,050,000</b>
<b>TOTAL</b>		<b>469,143</b>		<b>5,050,000</b>

## SCHEDULES FORMING PART OF ACCOUNTS

### SCHEDULE K

#### Brief description of the Company:

Nabha Power Limited (NPL) is setting up a 1400 MW Coal based 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 100% of power sale from 1400 MW Power Plant.

#### Significant accounting policies:

##### a. 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.

##### b. Revenue Recognition

Contract revenue comprising the total value of construction work performed during the year is recognized on a percentage of completion basis. The percentage of completion is determined on the basis of progress of each contract measured by reference to proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. No profit is recognized until a contract has progressed to the point where the ultimate realizable profit can be reasonably determined.

##### c. Fixed Assets

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

##### d. 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 conditioner, 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%

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

##### e. Investments

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

##### f. Taxes on income

Taxes on income for the current year is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on expected outcome of assessments / appeals.

##### g. Provisions, contingent liabilities and contingent assets

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

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

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Contingent Assets are neither recognized nor disclosed.

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

### h. 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 amortised ancillary costs incurred in connection with the arrangement of borrowings. A qualifying asset is an asset that necessarily required substantial period of time to get ready for its intended use.

### i. 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

#### Finance leases:

- 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.

## SCHEDULE L

### Notes forming part of accounts

1. 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.
2. 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.
3. During the year, the Company has got sanctioned secured loan of Rs. 7,200 Crores through syndication of 23 Banks against the security of mortgage & hypothecation of its assets & receivables over the period of loan.
4. During the financial year, the Company has taken interest free Inter Corporate Borrowing of Rs. 281.11 crores (*Previous Year Rs. NIL*) from its holding company - L&T Power Development Limited out of which during the year, borrowing of Rs. 124 crores was extinguished while Rs. 81.84 crores was converted into equity.
5. During the financial year, the Company has given surplus funds on short term basis accruing interest as Inter Corporate Deposit of Rs. 167.18 Crores (*Previous Year Rs. NIL*) to its Ultimate Holding Company - Larsen & Toubro Limited. The outstanding amount as on March 31, 2011 is Nil.
6. The Company has entered into Power Purchase Agreement (PPA) with PSEB for supply of electricity for 25 years. PSEB has undertaken to purchase the available net capacity of the power generation facilities for a period of 25 years with various agreed terms and conditions as specified in the PPA. Since the fulfillment of this arrangement is dependent on use of power generation and PSEB will take more than insignificant amount of the output that will be produced, the provision of such power generating facilities would constitute finance lease transaction upon commencement of power generation. The activity of construction of power generating facilities (to be given on finance lease) by the Company constitutes a "construction contract" which has been accounted in accordance with Accounting Standard (AS) 7 "Construction Contracts". Accordingly, the costs incurred (net) for construction of power generation facilities for the year of Rs. 474.06 Crore has been reflected as construction expenses and corresponding revenue has been recognized as "Construction WIP".
7. An amount of Rs. 28,68,93,882 towards borrowing costs for the qualifying asset is inventorised during the year.
8. As on March 31, 2011, Contingent Liabilities Rs. Nil.
9. The Company does not have taxable wealth under the provisions of Wealth Tax Act, 1952.
10. Disclosures pursuant to Accounting Standard (AS7) (Revised) "Construction Contracts"

Particulars	2010-11	2009-10
i. Contract Revenue recognized for the Financial year	4,740,710,187	5,09,65,18,478
ii. Aggregate amount of Contract costs incurred as at end of Financial year for all contracts in progress as at that date	9,83,72,28,665	5,09,65,18,478
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	-	-

## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

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

12. Auditors' remuneration (excluding service tax) :

Particulars	2010-11 Rupees	2009-10 Rupees
Audit Fees	50,000	50,000
Other Matters	16,682	1,50,000
Reimbursement of expenses	6,295	45,206
<b>TOTAL</b>	<b>72,977</b>	<b>2,45,206</b>

13. Since the Company did not have any employee on its payroll during the financial year 2010-11, no provision has been made for employee benefits.

14.1 Related party disclosures:

List of related parties who can exercise control:-

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

14.2 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 Infrastructure Finance Company Limited	Fellow Subsidiary Company

14.3 Disclosure of related party transactions:

S. No.	Name/Relationship/Nature of transaction	2010-11 Rupees	2009-10 Rupees
I	Ultimate Holding company <b>Larsen &amp; Toubro Limited</b>		
	Advance - EPC contract	8,78,11,78,845	1,87,87,86,571
	Retention Money – EPC Contract	1,81,77,813	–
	Expenses reimbursed	1,78,61,094	72,34,137
	Construction Work in Progress	13,56,60,658	–
	Inter Company Deposit	1,67,17,94,980	–
	Interest Income on ICD	1,32,34,268	–
II	Holding company <b>L&amp;T Power Development Limited</b>		
	Professional Fees & Business Support Services	1,06,56,379	–
	Inter Company Borrowing	2,81,10,50,000	–
	Investment in Equity Shares	959,95,00,000	5,00,000
	Advance against equity commitment	–	732,15,97,253
Expenses reimbursed	20,58,530	12,42,057	
III	Fellow Subsidiary company <b>L&amp;T-Sargent &amp; Lundy Limited</b>		
	Professional Fees	7,15,726	9,52,914
	Expenses Reimbursement	49,368	–
	<b>L&amp;T Infrastructure Finance Company Limited</b>		
	Advisory Fees for Financial Closure	7,94,16,000	–
Expenses Reimbursement	2,16,293	–	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

## 14.4 Amount due to and due from related parties:

S. No.	Particulars	As at 31.03.2011 (Rupees)		As at 31.03.2010 (Rupees)	
		Due to	Due from	Due to	Due from
I	Due to ultimate holding company: <b>Larsen &amp; Toubro Limited</b>	<b>6,43,16,921</b>	<b>10,65,99,65,432</b>	<i>81,87,051</i>	–
ii	Due to holding company: <b>L&amp;T Power Development Limited</b>	<b>1,11,72,037</b>	–	<i>12,42,057</i>	–
III	Due to fellow subsidiary company: <b>L&amp;T-Sargent &amp; Lundy Limited</b>	<b>6,88,584</b>	–	–	–

15. Estimated amount of contracts remaining to be executed on capital account (net of advances) as at March 31, 2011 is Rs. Nil (*Previous year: Rs. Nil*).

16. Basic and diluted earnings per share (EPS):

Particulars	2010-11	2009-10
<b>Basic</b>		
Profit as per Profit and Loss Account (Rupees)	<b>13,666,219</b>	12,70,588
Average number of equity shares outstanding	<b>44,18,90,000</b>	50,000
<b>Basic EPS (Rupees)</b>	<b>0.03</b>	25.41
<b>Diluted</b>		
Profit as per Profit and Loss Account (Rupees)	<b>13,666,219</b>	12,70,588
Average number of equity shares outstanding	<b>44,18,90,000</b>	50,000
Average number of equity shares to be allotted on conversion of advance towards equity to equity	–	11,51,93,315
Average number of equity shares to be outstanding	–	11,52,43,315
<b>Diluted EPS (Rupees)</b>	<b>0.03</b>	0.01

17. The Company is in the process of appointing a whole-time company secretary in accordance with Section 383A of the Companies Act.

18. The Company has firm commitments payable denominated in foreign currency at the Balance Sheet date aggregating to Rs. 13,62,98,00,342 (*Previous year – Rs. 14,28,97,31,238*).

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



## SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Statement pursuant to part IV of Schedule VI to the Companies Act, 1956  
Balance Sheet abstract and Company's General Business Profile

### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Fund  
Total Liabilities

Total Assets

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Application of Funds  
Net Fixed Assets (Including Preoperative Expenses)

Investments

Net Current Assets/(Liabilities)

Misc. Expenditure

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover (including other income)

Total Expenditure

Profit / Loss Before Tax

Profit / Loss After Tax

Earnings Per Share in Rs.

\* Excluding Prior period  
Dividend Rate %

### V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

Item Code No.

Product Descriptions

As per our report attached  
**SHARP & TANNAN**  
Chartered Accountants  
(ICAI Registration No. 000452N)  
by the hand of

For and on behalf of the Board

**MILIND P. PHADKE**  
Partner  
Membership No. 33013  
Place : Mumbai  
Date : April 27, 2011

**S. N. ROY**  
Director

**P. S. KAPOOR**  
Director

Place : Mumbai  
Date : April 27, 2011