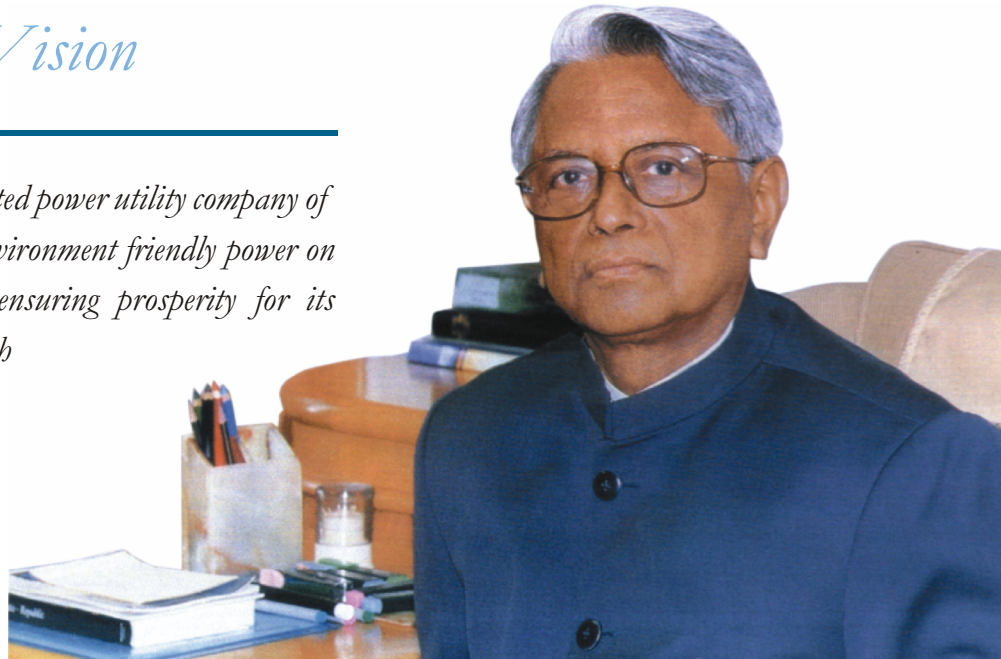


## Our Vision

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*“To be amongst most trusted power utility company of the country by providing environment friendly power on most cost effective basis, ensuring prosperity for its stakeholders and growth with human face.”*



## Our Mission

*“Perfection in Power”*

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- *To ensure most cost effective power for sustained growth of India.*
- *To provide clean and green power for secured future of countrymen.*
- *To retain leadership position of the organisation in Hydro Power generation, while working with dedication and innovation in every project we undertake.*
- *To maintain continuous pursuit for cost effectiveness, enhanced productivity for ensuring financial health of the organization, to take care of stakeholders’ aspirations continuously.*
- *To be a technology driven, transparent organization, ensuring dignity and respect for its team members.*
- *To inculcate value system all cross the organization for ensuring trustworthy relationship with its constituent associates & stakeholders.*
- *To continuously upgrade & update knowledge & skill set of its human resources.*
- *To be socially responsible through community development by leveraging resources and knowledge base.*
- *To achieve excellence in every activity we undertake.*

*Jaiprakash Gaur*

*Jaiprakash Gaur  
Chairman*

**Board of Directors**Jaiprakash Gaur  
(Chairman)S.K. Jain  
(Vice-Chairman)

J.N. Gaur

Sunil Kumar Sharma

Gopi K. Arora

D.N. Davar

B.K. Batra  
(IDBI Nominee)B.K. Gupta  
(LIC Nominee)

B.K. Taparia

Dr. R.C. Vaish

D.G. Kadkade

R.L. Gupta

Manoj Gaur

S.D. Nailwal

Narendra Singh

R.K. Narang

**Company Secretary**

M.M. Sibbal

**Auditors**M/s. R. Nagpal Associates  
New Delhi**Bankers**

ICICI Bank Limited

UTI Bank Limited

Punjab National Bank

Bank of Baroda

Central Bank of India

Indian Overseas Bank

State Bank of Patiala

State Bank of Indore

State Bank of Hyderabad

State Bank of Travancore

State Bank of Mysore

State Bank of India

Oriental Bank of Commerce

**Registered Office**C-16, Sector-1, Lane-1,  
SDA Housing Colony,  
New Shimla - 171 009**Head Office**'JA Annexe',  
54, Basant Lok,  
Vasant Vihar,  
New Delhi - 110 057

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**NOTICE**

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of **JAIPRAKASH HYDRO-POWER LIMITED** will be held on **Monday, the 12<sup>th</sup> September, 2005 at 10.30 A.M.** at **Hotel Peter Hoff, Chaura Maidan, Shimla-171 004 (H.P.)** to transact the following business:

**Ordinary Business**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005, the Profit & Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri Gopi K. Arora, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Manoj Gaur, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri Narendra Singh, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**Special Business**

To consider and if thought fit, to pass with or without modification (s), the following resolutions:

**AS ORDINARY RESOLUTIONS**

7. "RESOLVED that Shri D.N. Davar be and is hereby appointed as a Director of the Company, liable to retire by rotation."
8. "RESOLVED that Shri R.L. Gupta be and is hereby appointed as a Director of the Company, liable to retire by rotation."
9. "RESOLVED that Shri S.D. Nailwal be and is hereby appointed as a Director of the Company, liable to retire by rotation."
10. "RESOLVED that in partial modification of the resolution passed at the Annual General Meeting held on the 18<sup>th</sup> September, 2004 and pursuant to Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956 and provisions of Articles of Association of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for mortgaging and/or charging immovable and movable properties of the Company as may be required by ICICI Bank Ltd. on pari passu basis, to secure (a) conversion of the financial assistance already sanctioned by them in the form of Privately Placed Secured Redeemable Non-Convertible Debentures of an aggregate amount of Rs.150 crores (Series I - Rs. 115 crores and Series II - Rs. 35 crores) proposed to be converted into Rupee Term Loan of the equivalent amount; and (b) the additional financial assistance of Rs.50 crores by way of Rupee Term Loan, together with interest, compound interest, additional interest, liquidated damages, premia on pre-payments, costs, charges, expenses and other moneys payable by the Company to ICICI Bank Ltd. under the respective Loan Agreements entered / to be entered into by the Company in respect of the aforesaid financial assistances".
11. "RESOLVED THAT pursuant to section 309(2) & 310 of the Companies Act, 1956 read with Rule 10B of the Companies (Central Government's) General Rules & Forms, 1956, Listing Agreement with Stock Exchanges and other applicable provisions, if any, of the Companies Act, 1956, the approval of the shareholders be and is hereby accorded to the Board of Directors of the Company to raise from time to time, the amount of the sitting fees payable to Non-Executive Directors of the Company for attending each meeting of the Board of Directors or a Committee thereof, within the maximum amount as may be prescribed by the Central Government from time to time."

By Order of the Board  
For JAIPRAKASH HYDRO-POWER LTD.

Place : New Delhi  
Date : 28<sup>th</sup> June, 2005

M.M. SIBBAL  
Company Secretary

**Notes :**

- (i) Relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of resolutions set out under item Nos. 7 to 11 is annexed hereto.
- (ii) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.  
Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
- (iii) All documents referred to in the Notice and accompanying explanatory statement are open for inspection at the Registered Office of the Company on all working days, except holidays, between 11.00 A.M. and 1.00 P.M. upto the date of the Annual General Meeting.
- (iv) The Register of Members and Share Transfer Books will remain closed from Friday, the 2<sup>nd</sup> September, 2005 to Monday, the 12<sup>th</sup> September, 2005 (both days inclusive) for payment of dividend. The dividend in respect of equity shares held in the electronic form will be paid on the basis of beneficial ownership of equity shares as per the details available from the National Securities Depository Ltd. and Central Depository Services (India) Ltd. as at the end of business hours on the 1st September, 2005.
- (v) Members holding shares in electronic form may please note that (a) the dividend, when declared, will be credited through Electronic Clearing Service (ECS), where this facility is available, in the Bank Account of Beneficial Owners, as per the details furnished by respective Depositories and (b) in other cases, Bank details as furnished to the respective Depositories will be printed on the dividend warrant(s) as per the applicable regulations. The Company will not entertain any direct request from such members for deletion of / change of such bank details.
- (vi) Members are requested to always quote their Client ID & DP ID in all correspondence with the Company's Registrars and the Company. Members are also requested to notify any change of address to their Depository Participants.
- (vii) Any query relating to Accounts must be sent to the Company's Registered Office at C-16, Sector-1, Lane-1, SDA Housing Colony, New Shimla-171009(HP) or Head Office at "JA Annexe", 54, Basant Lok, Vasant Vihar, New Delhi-110 057 **at least 7 days before the date of the Meeting.**
- (viii) Additional information in terms of Clause 49 of Listing Agreement in respect of Directors being re-appointed is given as under:-

**Shri Gopi K. Arora**

Shri Gopi K. Arora, aged 71 years, is a post graduate from Allahabad University and holds Masters' Diploma in Public Administration from Harvard University, Boston USA. He is a retired civil servant and has held prestigious positions in Government of India, viz Economic Minister with the Embassy of India, Moscow, Russia (1975-78), Joint Secretary (1983), Additional Secretary (1984-1987) and Special Secretary (1987) in the Office of the Prime Minister, Government of India, Secretary in the Ministry of Information and Broadcasting, Government of India (1988), Finance Secretary with Ministry of Finance, Government of India (1989-1990) and Executive Director representing India/Bangladesh/Bhutan and Sri Lanka at International Monetary Fund, Washington (1990-1993).  
Shri Gopi K. Arora is also Director of Jaiprakash Associates Ltd., Bengal Ambuja Housing Development Ltd., Alps Industries Ltd., HGS India Ltd., Sunil Synchem Ltd., Roto Pumps Ltd., SARA Fund Trustee Company Ltd., Television Eighteen India Ltd., NOIDA Toll Bridge Company Ltd., DND Flyway Limited, ACAM Trust Company Private Limited, Consolidated Transportation Network Limited, Infrastructure Leasing & Financial Services Limited, Consolidated Toll Network India Pvt. Ltd., Krishvidur Pvt. Ltd. and SOWAR Pvt. Ltd.

**Shri Manoj Gaur**

Shri Manoj Gaur, aged 41 years, holds degree in Civil Engineering from Birla Institute of Technology and Science, Pilani. He has an overall experience of 20 years in Cement, Corporate matters and Finance. He has been associated with implementation and operation of Cement Plants at Rewa and Bela in Madhya Pradesh and has set up the marketing network and has also been associated with various activities of the Jaypee Group i.e. Civil Engineering Construction, Hydro-Power, Information Technology, Hospitality and Education initiatives.

Shri Manoj Gaur is Managing Director of Jaiprakash Associates Limited and Jaypee Ventures Limited and also Director of JIL Information Technology Ltd., Gaur & Nagi Limited, Jaypee Cement Limited, Jaiprakash Power Ventures Ltd., Jaiprakash Enterprises Ltd., Jaypee Greens Ltd., Jaypee Karcham Hydro Corporation Ltd., Manumanik Estates Pvt. Ltd., Mum Engineers Pvt. Ltd. and Indesign Enterprises Private Ltd.

**Shri Narendra Singh**

Shri Narendra Singh, aged 71 years, holds degree in Civil Engineering from University of Roorkee (now Indian Institute of Technology, Roorkee).

Shri Singh has over 40 years experience in surveys, investigations, planning, detailed designs and construction of hydroelectric and multi-purpose river valley projects. He specialises in design and construction of underground works, powerhouses and hydraulic equipments.

**EXPLANATORY STATEMENT**

Following Explanatory Statement, pursuant to Section 173(2) of the Companies Act, 1956 set out the material facts relating to item Nos. 7 to 11 mentioned in the accompanying notice dated 28<sup>th</sup> June, 2005.

**Items 7, 8 & 9**

S/Shri D.N. Davar, R.L. Gupta and S.D. Nailwal joined the Board w.e.f. the 25<sup>th</sup> September, 2004 as additional Directors and by virtue of Section 260 of the Companies Act, 1956, read with Article 82 of the Articles of Association of the Company, they hold office upto the ensuing Annual General Meeting of the Company. The Company has received notices in writing alongwith a deposit of Rs. 500 each from members of the Company in terms of Section 257 of the Companies Act, 1956, signifying their intention to propose the candidature of S/Shri D.N. Davar, R.L. Gupta and S.D. Nailwal for the office of Directors of the Company. Brief profiles of the aforesaid proposed appointees are as follows :

**Shri D.N. Davar**

Shri D.N. Davar aged 71 years, is B. Com (Hons.), MA (Economics), Certified Associate of the Indian Institute of Bankers (CAIIB), Fellow of Economic Development Institute of the World Bank, Permanent Honorary Faculty Member of the Management Development Institute (MDI) India.

Shri Davar is an eminent Banker and was Chairman of IFCI Limited. He has vast experience in the fields of Banking, Finance, Corporate Planning and Administration.

Shri D.N. Davar is also Director of Jaiprakash Associates Limited, Jaiprakash Power Ventures Limited, Sandhar Infosystem Limited, Sandhar Locking Devices Limited., Sandhar Auto Components Limited., SLD Auto Limited, Maral Overseas Limited, OCL India Limited, HEG Limited, Indo-Continental Hotels & Resorts Limited, Ansal Properties & Infrastructure Limited, Hero Honda Finlease Limited, Adayar Gate Hotel Limited and Rajasthan Spinning & Weaving Mills Limited, S.P. Wahi Technology & Management Consultant Pvt. Ltd. and Sandhar Steady Stream Tooling Pvt. Ltd.

**Shri R.L. Gupta**

Shri R.L. Gupta, aged 64 years, holds degree in Civil Engineering from University of Roorkee (now Indian Institute of Technology, Roorkee) and has rich experience in the fields of designing, planning and construction of large hydraulic structures, Dams, Barrages, Intake works, Canals, Head regulators, Head Race Tunnels and Under Ground Power Houses.

Shri R.L. Gupta is Director of Jaiprakash Power Ventures Limited and Jaypee Ventures Limited.

**Shri S.D. Nailwal**

Shri S.D. Nailwal, aged 58 years, is Fellow Member of the Institute of Company Secretaries of India and has rich experience of over 35 years in the fields of project financing, corporate planning and secretarial.

Shri S.D. Nailwal is Director of Jaiprakash Associates Limited and Jaypee Cement Limited.

The Board considers the appointments of S/Shri D.N. Davar, R.L. Gupta and S.D. Nailwal to be in the best interest of the Company.

None of the Directors of the Company except the appointees themselves may be deemed to be interested/ concerned in the resolutions.

The Directors commend the resolutions for the approval of the members.

**Item 10**

ICICI Bank Ltd. in terms of their letter No. PFG/2290 dated June 24, 2005 have agreed to convert Privately Placed Secured Non-Convertible Debentures aggregating to Rs. 150 crores (Series I – Rs. 115 crores and Series II – Rs. 35 crores) into Rupee Term Loan assistance of the equivalent amount on the terms and conditions mentioned in their letter.

ICICI Bank Ltd. in terms of their letter No. PFG/2311 dated June 27, 2005 have also agreed to sanction an amount of Rs. 50 crores to finance long term working capital requirements on the terms and conditions mentioned in their aforesaid letter.

The aforesaid financial assistances shall be secured on pari passu basis by equitable mortgage/ charge on the movable and immovable properties of the Company, ranking pari passu with other lenders as stipulated in the respective loan agreements/ trust deeds and agreed to between the Company and the Lenders/Debenture holders/ Trustees.

Section 293 (1)(a) of the Companies Act, 1956, inter alia, provides that the Board of Directors of a public company shall not, without the consent of such public company in general meeting, sell, lease or otherwise dispose off the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, of the whole, or substantially the whole of any such undertakings. Since the deed creating the mortgage and/or charge by the Company of its immoveable and moveable properties, as mentioned in the resolution in favour of the Institutions/ Banks/Debenture holders/Trustees provides for taking over the business of the Power Project of the Company in the event of default, it is necessary for the members to pass a Resolution under Section 293(1)(a) of the Companies Act, 1956, for creation of the said mortgage/ charge.

None of the Directors of the company is concerned or interested in the resolution.

The Directors commend the resolution for approval of the members.

**Item 11**

The Non-Executive Directors of your Company are presently entitled to a sitting fee of Rs.5000 for attending each meeting of the Board of Directors or Committees thereof. Keeping in view the fact of the project of the company being operational for more than two years, sitting fee structure currently prevalent in the industry and the vast experience and expertise of the Directors, the Board has decided to seek approval of shareholders of the Company to authorize the Board to increase the sitting fee from time to time within the limits mentioned in Rule 10B of the Companies (Central Government's) General Rules & Forms, 1956 read with Section 310 of the Companies Act, 1956. As per the above Rule 10B, as amended, the Company may pay a sitting fees upto Rs. 20000 per meeting to its Directors. Further, as per the revised Clause 49 of the Listing Agreement with the Stock Exchanges, all fees/compensation to Non-Executive Directors of the Company shall be fixed by the Board & shall require previous approval of shareholders in General Meeting. Hence, the resolution.

None of the Directors of the Company, except the Non-Executive Directors to the extent of sitting fee payable to them, is concerned or interested in the resolution.

The Directors commend the resolution for approval of the members.

**DIRECTORS' REPORT**

To,

**The Members**

The Directors of your Company are pleased to present the Tenth Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2005.

**WORKING RESULTS**

The working results for the year under report are as under :-

	( Rs. in Crores )	
	Current year (1 <sup>st</sup> April, 2004 to 31 <sup>st</sup> March, 2005)	Previous Year (24 <sup>th</sup> May, 2003 to 31 <sup>st</sup> March, 2004)
Gross Revenue	304.99	300.02
Less: Rebate for prompt payments	5.47	4.71
	<u>299.52</u>	<u>295.31</u>
Add: Other income	1.83	1.30
	<u>301.35</u>	<u>296.61</u>
Profit before depreciation & Taxation	139.05	134.15
Less: Depreciation	83.56	71.26
Profit before taxation	55.49	62.89
Less: Provision for taxation	4.39	4.98
Profit after taxation	51.10	57.91
Add: Profit brought forward from previous year	42.91	-
	<u>94.01</u>	<u>57.91</u>
Less: Transferred to:		
Debenture redemption reserve	33.00	15.00
Proposed dividend	36.83	-
Income Tax on proposed dividend	5.16	15.00
	<u>74.99</u>	<u>          </u>
Balance Carried to Balance Sheet	<u>19.02</u>	<u>42.91</u>

**OPERATIONS**

The performance of the Plant and the Energy generated during the year under report is as under :-

Plant Availability	Generation (million units)	
	Saleable Energy	Deemed Generation
99.77%	1041.93	19.73

During the year under report, the average rate of energy, as per the provisions of the Power Purchase Agreement (PPA), works out to Rs.2.91 per unit. However, in view of the energy rate realized by Himachal Pradesh State Electricity Board (HPSEB), the average rate paid to the Company works out to Rs.2.36 per unit. The outstanding amount is payable by HPSEB to the Company along with interest, as per the terms of the PPA.

**DEBT RE-STRUCTURING**

The Directors of your company are pleased to report that realignment of rate of interest at 10.50% p.a. and resetting the repayment schedule in 44 instalments commencing from July 2005 have, satisfactorily completed to reduce the gap between the tariff as per the PPA and the market rate of power. Efforts are on for further reduction in the interest rates.

As per the directions of the Himachal Pradesh Electricity Regulatory Commission (HPERC), application for determination of the tariff after receipt of approval of Central Electricity Authority (CEA) in respect of the Firm Financial Package shall be submitted to HPERC. Till determination of the tariff, in accordance with the provisions of the PPA, HPSEB shall continue to pay to the Company the sale price realised from sale of the energy supplied by Baspa-II HEP. The Hon'ble Commission is holding monthly review hearings on the progress of the approval of the CEA and the debt restructuring.

**OUTLOOK**

300 MW Baspa-II Hydro-Electric Project of the Company is operating quite satisfactorily. The normal and peak energy shortage in the country is estimated at 7.3% and 11.7% respectively. The Government of India has planned for addition of 20,000 MW power in the eleventh Five Year Plan as against the tenth Five Year Plan of 14,393 MW. Electricity Act, 2003 offers ample growth opportunities for development of power sector. The Company is identifying avenues for entering into transmission and distribution business and setting up of new power projects. Hydro-power apart from being environmental friendly is ideally suited for meeting the peak load requirement and is most cost effective. Thus, the future of the Company's operations is bright.

**DIVIDEND**

The Directors of your Company are pleased to recommend a maiden dividend of 7.5% amounting to Rs.36.83 crores (excluding dividend tax of Rs. 5.16 Crores) for the financial year ended 31<sup>st</sup> March, 2005.

**SHARE CAPITAL**

During the year under report, there was no change in the paid up capital of the Company. However, the shareholding pattern has since undergone change as out of its 100% holding of the capital of the Company, JAIPRAKASH ASSOCIATES LIMITED offered for sale 18,00,00,000 Equity Shares of Rs. 10/- each, constituting 36.66% of the paid up capital of the Company, through the Book Building process. The offer which opened on the 22nd March, 2005 and closed on the 29th March, 2005, received an overwhelming response and the issue was oversubscribed by 6.36 times. The allocation of the shares offered was made to 2,11,513 successful applicants at the rate of Rs. 32 per equity share and the basis of allocation was approved by the designated Stock Exchange viz. National Stock Exchange of India Limited (NSE) on the 11th April, 2005. The equity shares of the Company were listed and trading commenced on NSE and The Stock Exchange, Mumbai (BSE) w.e.f. the 18th April, 2005. The Directors of your Company are pleased to report that the shares of the Company were placed in the "Futures and Options" segment with effect from the 18th April, 2005.

**AUDIT COMMITTEE**

The Audit Committee comprises of S/Shri Gopi K. Arora (Chairman), B.K. Gupta (LIC Nominee), B.K. Batra (IDBI Nominee) and S.D. Nailwal, satisfying the requirements of Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with Stock Exchanges.

**DIRECTORATE**

During the year under report, your Company received the approval of Central Government for increasing the number of Directors from 15 to 20. S/Shri D.N. Davar, R.L. Gupta and S.D. Nailwal were appointed as additional Directors and they hold the office upto the date of ensuing Annual General Meeting of the Company. Resolutions for their appointment are placed for your approval in the notice for the Annual General Meeting.

During the year under report, IFCI Limited withdrew the nomination of Shri R.L. Saha w.e.f. the 24<sup>th</sup> September, 2004. Further, Shri Shailendra Swarup resigned from the office of Director of the Company w.e.f. the 17<sup>th</sup> January, 2005.

The Board places on record its appreciation for the valuable contribution made by Shri R.L. Saha and Shri Shailendra Swarup, during their tenure as Directors of the Company.

Shri Jaiprakash Gaur was re-appointed as Chairman and Managing Director of the Company for a further period of 5 years w.e.f. the 7<sup>th</sup> January, 2005 and his re-appointment was approved by the members in the Extra-Ordinary General Meeting held on the 12<sup>th</sup> January, 2005. The Board places on record its appreciation for the gesture of Shri Jaiprakash Gaur not drawing any remuneration from the Company.

Shri Gopi K Arora, Shri Manoj Gaur and Shri Narendra Singh, retire by rotation and being eligible, offer themselves for re-appointment.

**CORPORATE GOVERNANCE**

Your Company is committed to adopt highest standards of Corporate Governance Practices. The Equity Shares of the Company were listed on NSE & BSE on the 18<sup>th</sup> April, 2005. Therefore, the requirements of clause 49 of the Listing Agreement relating to the Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance for the financial year ended 31<sup>st</sup> March, 2005 are not applicable to the Company. However, as a good Corporate Practice, a Report on Corporate Governance alongwith Management Discussion and Analysis is annexed and made a part of this Annual Report.

**DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representation received from the operating management and after due enquiry, confirm the following in respect of the audited annual accounts for the year ended 31<sup>st</sup> March, 2005:-

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures;
- ii) that the Directors have, in consultation with the Statutory Auditors, selected such accounting policies and applied them consistently and made judgement and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company;
- iii) that the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the annual accounts have been prepared on a going concern basis.

**DEPOSITS**

The Company did not invite / accept any Fixed Deposits from the public during the year under report.

**PARTICULARS OF EMPLOYEES**

During the year under report, none of the employees was in receipt of remuneration exceeding the limits prescribed under Section 217(2A) of

the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

**PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

Particulars with respect to conservation of energy as per Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31<sup>st</sup> March, 2005 are annexed to this report.

**NOTES ON ACCOUNTS**

The observations of Auditors and Notes on Accounts are self-explanatory.

**PERSONNEL AND INDUSTRIAL RELATIONS**

The industrial relations continued to be cordial. The Directors of your Company wish to place on record their appreciation for the contribution of the workers and officers of the Company at all levels.

**AUDITORS**

M/s. R. Nagpal Associates, Chartered Accountants, Auditors of the Company retire at the conclusion of this Annual General Meeting and, being eligible, offer themselves for re-appointment.

**ACKNOWLEDGEMENTS**

The Directors of your Company wish to place on record their gratitude to the Government of India, Government of Himachal Pradesh, Himachal Pradesh State Electricity Board, Central Electricity Authority, Himachal Pradesh Electricity Regulatory Commission, NHPC (Lenders' Engineers), Reserve Bank of India and All India Financial Institutions/ Banks, associated with the Company for their continued co-operation and support. The Board also wish to thank the shareholders for the confidence reposed by them in the Company.

On behalf of the Board

Place: New Delhi  
Date: 28<sup>th</sup> June, 2005

JAIPRAKASH GAUR  
CHAIRMAN

**ANNEXURE TO THE DIRECTORS' REPORT****THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988****(A) CONSERVATION OF ENERGY**

Electricity consumption in Power House auxiliaries is mainly for running governor oil and cooling water pumps and for ventilation, air conditioning and lighting purposes. Effective energy conservation measures are being taken in general and also ensuring that electricity consumption in these auxiliaries is kept at the minimum.

Information in Form A, as prescribed for certain industries, is not applicable to the Company.

**(B) TECHNOLOGY ABSORPTION**

In the Hydro-Power Plant which had been commissioned in May/June, 2003, while procuring various equipments for the Power House, every effort was made to ensure that each item corresponds to state of the art. For proper maintenance of the plant, innovative technology will always be kept in view for adoption and no specific expenditure on Research and Development is envisaged for the same.

**(C) FOREIGN EXCHANGE EARNINGS AND OUTGO**

Particulars of Foreign Exchange earnings and outgo are given in Schedule -M - Notes to the Accounts - under Note No.9.

**REPORT ON CORPORATE GOVERNANCE**
**CORPORATE GOVERNANCE:**

Commitment to values, fairplay and transparency are the corner stones of the principles of Corporate Governance.

**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

The Company as a part of Jaypee Group, is committed to attain highest standards of Corporate Governance. The Company's philosophy on Corporate Governance emanates from its commitment for the highest level of transparency and accountability towards its shareholders, customers/ HPSEB, employees, Financial Institutions and Banks and the Government, while maintaining steady focus for creation of wealth for shareholders on sustainable basis.

**2. BOARD OF DIRECTORS**

The Board of Directors as on 31<sup>st</sup> March, 2005 consisted of 16 Directors. As per Clause 49 of Listing Agreement, where there is Executive Chairman, at least one half of the Board should comprise of independent directors. Our Board of Directors comprises of 8 Independent Directors, besides two Whole-time Directors who are otherwise independent professionals.

The details regarding the attendance of Directors at the Board Meetings, Number of other Directorships and Committee positions held by them in other Companies, as on 31<sup>st</sup> March, 2005, are given below :

Name & Designation of the Directors	Category/ Position	Last Annual General Meeting attended	No.of Board Meetings attended out of 4 held during the year	No. of other Directorships excluding directorship in Pvt. Ltd. Companies	Committee Positions	
					Member	Chairman
Shri Jaiprakash Gaur, Chairman	Executive/ Promoter	No	4	7	-	-
Shri S.K. Jain, Vice-Chairman	Non-Executive/ Promoter	Yes	3	2	-	2
Shri Manoj Gaur	Non-Executive/ Promoter	Yes	3	9	1	1
Shri Sunil Kumar Sharma	Non-Executive/ Promoter	No	4	6	2	1
Shri Gopi K. Arora	Non-Executive/ Independent	No	4	12	5	5
Shri D.N. Davar	Non-Executive/ Independent	-	2	14	5	5
Shri B.K. Batra (IDBI Nominee)	Non-Executive/ Independent	No	3	2	5	-
Shri B.K. Gupta (LIC Nominee)	Non-Executive/ Independent	No	1	-	1	-
Shri B.K. Taparia	Non-Executive/ Independent	No	4	2	1	-
Dr. R.C. Vaish	Non-Executive/ Independent	No	4	8	6	2
Shri D.G. Kadkade	Non-Executive/ Promoter	No	4	1	-	-
Shri R.L. Gupta	Non-Executive/ Independent	-	3	2	-	-
Shri J.N. Gaur, Whole-time Director	Executive	No	4	-	-	-
Shri S.D. Nailwal	Non-Executive/ Independent	-	2	2	3	-
Shri Narendra Singh	Non-Executive/ Independent	No	3	-	-	-
Shri R.K. Narang, Whole-time Director	Executive	No	4	-	1	-

**Number of Board Meetings held and dates thereof:**

During the financial year 2004-05, 4 meetings of the Board of Directors were held. The meetings were held on 28<sup>th</sup> June, 2004, 25<sup>th</sup> September 2004, 29<sup>th</sup> December 2004 and 23<sup>rd</sup> January, 2005.

**3. AUDIT COMMITTEE**

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's responsibilities, an Audit Committee had been constituted by the Board. The constitution of Audit Committee also meets the requirements under Section 292A of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges. The terms of reference of the Audit Committee were, as contained under Clause 49 of the Listing Agreement. All the four members of the committee, including its Chairman are Non- Executive and Independent Directors. Three meetings of the Committee were held during the year i.e. on 28<sup>th</sup> June, 2004, 29<sup>th</sup> December, 2004 and 23<sup>rd</sup> January, 2005.

The Audit Committee specifically reviews :

- Quarterly, half yearly and yearly financial statements
- Annual Budget and Variance Reports
- Audit Reports
- Recommendation for appointment of Statutory Auditors.

The details of names of Chairman and members, meetings held during the year and attendance thereat are as under:

Name	Total Meetings held during the tenure of the member	Meetings attended
Shri Gopi K. Arora, Chairman	3	3
Shri B.K. Batra, Member (IDBI - Nominee)	2	2
Shri B.K. Gupta, Member (LIC - Nominee)	2	1
Shri S.D. Nailwal, Member	None	N.A.

**4. REMUNERATION COMMITTEE**

The Remuneration Committee was constituted to recommend/review the remuneration package of the Managing/ Whole-time Director(s). As required under Clause 49 of the Listing Agreement, the Board of the Company had constituted a Remuneration Committee, comprising three Non-Executive Independent Directors. The constitution of remuneration Committee is as under :

Name	Position
Shri Gopi K. Arora	Chairman
Shri B.K. Taparia	Member
Shri B.K. Batra (IDBI Nominee)	Member

The remuneration package presently being paid to the Whole - time Directors was on the same terms and conditions as approved by the Board / Shareholders prior to the setting up of the Remuneration Committee. The remuneration was paid to Whole-time Directors in the form of Salary and Perquisites. The Non- Executive Directors are presently entitled to a sitting fee of Rs. 5000/- for each meeting of the Board/ Committee thereof.

**Details of Remuneration paid to all the Directors for the year:**
**a) Executive Directors (Managing / Whole-time Directors)**

Shri Jaiprakash Gaur, Chairman (Whole-time; having substantial powers of management) has voluntarily not drawn any remuneration from the Company right from his initial appointment w.e.f. the 7<sup>th</sup> January, 1995.

The aggregate value of salary and perquisites paid for the year ended 31<sup>st</sup> March, 2005 to Whole- time Directors was as follows:

Name	Designation	Aggregate Value of Salary & Perquisites (Rs.)
Shri J.N. Gaur	Whole-time Director	15,64,220/-
Shri R.K. Narang*	Whole-time Director	8,64,500/-

\*for the period from 28<sup>th</sup> June, 2004 to 31<sup>st</sup> March 2005.

**b) Non-Executive Directors**

The details of the sitting fee paid to the Non-Executive Directors during the year under review were as follows:

Name of the Director	Designation	Total sitting fee paid (Rs.)
Shri S.K. Jain	Vice Chairman	15,000
Shri Manoj Gaur	Director	25,000
Shri Sunil Kumar Sharma	Director	12,500
Shri S.D. Nailwal	Director	22,500
Shri D.G. Kadkade	Director	12,500
Dr. R.C. Vaish	Director	12,500
Shri R.L. Saha *	Director (IFCI Nominee)	2,500
Shri B.K. Taparia	Director	12,500
Shri Gopi K. Arora	Director	22,500
Shri Shailendra Swarup@	Director	7,500
Shri Narendra Singh	Director	10,000
Shri D.N. Davar	Director	7,500
Shri R.L. Gupta	Director	10,000
Shri B.K. Gupta #	Director (LIC Nominee)	5,000
Shri B.K. Batra #	Director (IDBI Nominee)	17,500

Note: *Sitting Fees represents payment to the Directors for attending meetings of the Board and Committee thereof.*

\* *Nomination withdrawn w.e.f. 24<sup>th</sup> September, 2004*

@ *Ceased to be Director w.e.f. 17<sup>th</sup> January, 2005*

# *In case of nominees of LIC and IDBI, the Sitting Fee was paid to concerned Institution.*

**5. SHAREHOLDERS' / INVESTORS' GRIEVANCE COMMITTEE**

The Board of the Company has constituted a Shareholders' / Investors' Grievance Committee, comprising Shri S.K.Jain (Chairman), Shri Manoj Gaur, Shri Sunil Kumar Sharma and Shri S.D.Naiwal. The Committee has been constituted to look into redressal of shareholders' complaints.



The Equity Shares of the Company were listed on National Stock Exchange of India Limited and The Stock Exchange, Mumbai w.e.f. the 18th April, 2005. As on 31st March, 2005, the entire share capital of the Company was held by Jaiprakash Associates Limited. No complaint was received as on 31st March, 2005.

## 6. GENERAL BODY MEETINGS

Location and time for last 3 Annual General Meetings were as under:

Year	Venue	Date	Time
2002	C-16, Sector-1, Lane-1 SDA Housing Colony, New Shimla-171 009 (H.P.)	20.09.2002	2.00 P.M.
2003	C-16, Sector-1, Lane-1 SDA Housing Colony, New Shimla-171 009 (H.P.)	30.09.2003	9.30 A.M.
2004	C-16, Sector-1, Lane-1 SDA Housing Colony, New Shimla-171 009 (H.P.)	18.09.2004	10.00 A.M.

During the year 2004-05, no resolution was sought to be passed through postal ballots.

## DISCLOSURES

- There were no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives, etc. that may have potential conflict with the interests of the Company at large. The related party transactions are duly disclosed in the Notes on Accounts to the Balance Sheet.
- There were no capital market related matters during the last three years concerning non-compliance of regulations of SEBI, Stock Exchanges and Statutory Authorities. The Shares of the Company were listed with the National Stock Exchange of India Limited and The Stock Exchange, Mumbai for the first time on the 18th April, 2005.

## 8. MEANS OF COMMUNICATION

The Equity Shares of the Company were listed on NSE & BSE for the first time on the 18th April, 2005. The Company, however, pursuant to Clause 41 of the Listing Agreement published on the 28th June, 2005 its Audited Annual Accounts for the year ended 31st March, 2005. The same were also uploaded on the companies website. The quarterly, half yearly and annual results as per the requirements of Listing Agreement shall be published and displayed on the Website of the Company i.e. [www.jhpl.com](http://www.jhpl.com) and simultaneously posted on the Electronic Data Information Filing and Retrieval website, namely, [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in).

### Management Discussion & Analysis

The Management Discussion and Analysis (MD&A) forms part of the Annual Report.

### Compliance Officer:

The Board had designated Shri M.M. Sibbal, Company Secretary, as the Compliance Officer.

Address: "JA Annexe", 54 Basant Lok, Vasant Vihar, New Delhi-110 057

e-mail: [mm.sibbal@jalindia.co.in](mailto:mm.sibbal@jalindia.co.in)

Phone: +91-11-26141540 (Extn. 336)

Fax: +91-11-26145389

## 9. GENERAL SHAREHOLDERS' INFORMATION

### 10th Annual General Meeting

Date : 12th September, 2005

Time : 10.30 A.M.

Venue : Hotel Peter Hoff  
Chaura Maidan  
Shimla 171 004 (HP)

Date of Book Closures : 2nd September, 2005 to 12th September, 2005  
(both days inclusive)

Dividend Payment Day : On or before 27th September, 2005

### Financial Calendar

The Equity Shares of the Company were listed on NSE & BSE for the first time on the 18th April, 2005. The Audited Financial Results for the Financial Year 2004-05 were published on the 28th June, 2005.

### Listing on Stock Exchanges

The Equity shares of the Company were listed on the National Stock Exchange of India Limited and The Stock Exchange, Mumbai w.e.f. the 18th April, 2005. The equity shares of the Company have also been included in "Futures and Options" segment by the National Stock Exchange of India Ltd. The Company has paid annual listing fees due to the above Stock Exchanges for the year 2005-2006.

### Stock Code

The stock code of the shares listed on the Stock Exchanges, were as under:

Name of Stock Exchange	Code
The Stock Exchange, Mumbai	532627
National Stock Exchange, Mumbai	JPHYDRO
ISIN No.	INE 351F01018

### Market Price Data and performance in comparison to NSE Nifty/BSE Sensex:

The Equity Shares of the Company were listed on NSE & BSE for the first time on the 18th April, 2005. As such, market price data and performance in comparison to NSE Nifty/BSE Sensex are not applicable.

### Registrar and Transfer Agents:

Karvy Computershare Private Ltd.

Karvy House, 46, Avenue 4,

Street No.1, Banjara Hills

Hyderabad - 500 034

Website : [www.karvy.com](http://www.karvy.com)

e-mail : [mailmanager@karvy.com](mailto:mailmanager@karvy.com)

Phone : 91 40 23312454

Fax : 91 40 23311968

### Share Transfer System

The Board of Directors has delegated the power of re-materialisation of shares, transfer, splitting/consolidation of share certificates and issue of duplicate share certificates etc. to Shareholders' / Investors' Grievance Committee comprising of Shri S K Jain (Chairman), Shri Manoj Gaur, Shri Sunil Kumar Sharma and Shri S D Nailwal, Members.

**Distribution of Shareholding**

As already stated hereinabove, the entire equity capital of the company was held by Jaiprakash Associates Limited as on 31<sup>st</sup> March, 2005.

The distribution of shareholding as on the 17<sup>th</sup> June, 2005, was as follows:

Share holding of nominal value of (Rs.)	Shareholders		Shares	
	Numbers	% to total	Numbers	% to total
Upto 5,000	213984	90.70	47896096	9.75
5,001 - 10,000	12029	5.10	10044293	2.05
10,001 - 20,000	4829	2.05	7316051	1.49
20,001 - 30,000	1584	0.67	4014879	0.82
30,001 - 40,000	773	0.33	2747030	0.56
40,001 - 50,000	609	0.26	2888959	0.59
50,001 - 1,00,000	1029	0.43	7397012	1.51
1,00,001 and above	1092	0.46	408696280	83.23
<b>TOTAL</b>	<b>235929</b>	<b>100</b>	<b>491000600</b>	<b>100</b>

Held by	% holding (as on the 17 <sup>th</sup> June, 2005)
Promoters (Jaiprakash Associates Ltd.)	63.34
Banks / Mutual Funds/ FI/FIIs	8.48
NRI's	0.34
Indian Public	27.84

**Dematerialisation of Shares and Liquidity:**

The entire share capital of the company is held in dematerialized form except for 700 shares held by the original subscribers alongwith Jaiprakash Associates Ltd.

**Plant locations**

The Plant site is located on the river Baspa, a tributary of River Satluj in Kinnaur District, about 210 KM from Shimla, the capital of Himachal Pradesh.

**Outstanding GDRs/ADRs / warrants or any convertible instruments, conversion date and likely impact on Equity**

There were no outstanding GDRs / ADRs/ Warrants or any Convertible instruments pending as on 31<sup>st</sup> March, 2005.

**Address for Correspondence**

Company's Address : Registered Office :  
 : C-16, Sector-1, Lane-1, SDA Housing Colony,  
 New Shimla-171 009 (H.P.)  
 : Head Office :  
 : JA Annexe, 54, Basant Lok, Vasant Vihar,  
 New Delhi 110057

Registrar's Address : Karvy Computershare Private Ltd.  
 Karvy House, 46 Avenue 4,  
 Street No. 1, Banjara Hills,  
 Hyderabad - 500 034

**Electronic Clearing Service (ECS):**

The company shall avail the ECS facility to distribute dividend in the metropolitan cities.

**MANAGEMENT DISCUSSION AND ANALYSIS**
**i) Industry structure and developments:**

The Company is operating a private sector run-of-the-river 300 MW Baspa-II Hydro-electric Power Plant on Build, Own & Operate basis, designed to produce 1,213.18 Millions Units of electrical energy annually. Baspa-II is the largest hydroelectric plant commissioned in the private sector in India. It has a barrage at an elevation of 2,520.50 metres above sea level, being one of the highest altitudes for such structures in India. The Power Project consisting of three units of 100 MW each has been set up at a cost of Rs. 1667.34 crores including cost of Interconnection facility paid to Satluj Jal Vidyut Nigam Ltd. {Himachal Pradesh State Electricity Board (HPSEB)/Government of Himachal Pradesh (GoHP) have approved Rs. 1550 crores as capital cost for the purpose of computation of tariff} and commenced commercial operation with effect from the 8th June, 2003, when all the three units became operational.

The Government of India opened Private Sector participation in the Power Sector in early 90s. In order to harness the vast potential available in the State of Himachal Pradesh, MOU for the Baspa-II, run-of-the-river hydro-electric project on Build, Own and Operate basis was signed by erstwhile Jaiprakash Industries Ltd. {now Jaiprakash Associates Ltd. (JAL)} – our promoter / holding Company, with GoHP in 1991. Pursuant to the terms of the Agreement, JAL promoted Jaiprakash Hydro-Power Limited (JHPL) in December, 1994 for implementing Baspa-II Hydro-electric Project.

India is blessed with the huge hydropower potential which is estimated to be about 150,000 MW. Due to various reasons, presently the hydro power generation base in the country merely stands at 30,000 MW, which has also skewed the power generation mix to 26:74 against a healthy 40:60 hydro : thermal ratio prescribed by Government of India for stable power regime. The Government of India has redoubled its thrust to maximize harnessing of vast hydro-power potential in view of its lowest cost, after servicing of the debts on sustainable basis which would then ensure the lowest power tariff from this clean source

of energy as compared to any other source of energy, year after year. Through multi dimensional initiatives planned by State Governments and Government of India, the nation has chalked out plans to add 50,000 MW of hydropower base by the end of 12<sup>th</sup> five year plan.

JHPL, with its successful track record of operating Hydropower Station, now for more than two years, has the “**first mover advantage**” to participate in the growing opportunities in this important sector.

**ii) Opportunities and Threats:**

The Company has a definitive Power Purchase Agreement (PPA) for a period of 40 years which is extendable for a further period of 20 years. The said PPA assures guaranteed off take of power, which results in assured revenues to the Company.

Under the said Agreement, the Company is entitled to receive incentives for higher plant availability and generation of secondary energy upto specified limits. The incentives for plant availability are applicable in case the plant availability is more than 90%. The Company endeavours to avail higher plant availability incentives available under the PPA.

The Company has realigned the interest rate on its outstanding debts and is continuing its efforts to further reduce the interest costs. This will ensure consumer friendly tariff and better cashflow.

The Company, with its demonstrated track record of successfully operating the power plant, has immense opportunities for growth which are not limited to power generation alone in view of the enactment of Electricity Act, 2003. The Company is well entrenched in Himachal Pradesh and is familiar with the terrain and region. The Company is best placed to undertake new hydro power projects in Himachal Pradesh, where hydro power potential alone is in excess of 20,000 MW. The Company is identifying the avenues to diversify in the business of transmission and distribution business and setting up new Power Projects.

The tariff for Baspa-II power would gradually become more and more consumer friendly as the debts get repaid (return on equity remaining unaffected) and therefore the Company sees no threat from the new investments in the hydro power sector.

**iii) Segment-wise or product-wise performance:**

The Company is primarily engaged in generating Hydro-Power and thus has only one segment.

**iv) Outlook:**

300 MW Baspa-II Hydro-Electric Project of the Company is operating quite satisfactorily. The normal and peak energy shortage in the country is estimated at 7.3% and 11.7% respectively. The Government of India has planned for addition of 20,000 MW power in the eleventh Five Year Plan as against the tenth Five Year Plan of 14,393 MW. Electricity Act, 2003 offers ample growth opportunities for development of power sector. The Company is identifying avenues for entering into transmission and distribution business and setting up of new power projects. Hydro-power apart from being environmental friendly is ideally suited for meeting the peak load requirement and is most cost effective. Thus, the future of the Company's operations is bright.

**v) Risks and Concerns:**

The Company carries normal risks which are associated with the Hydro- Power Projects. HPSEB is regular in making payments for the energy based on the tariff realized from sale of Baspa-II power. The Power Purchase Agreement provides for payment of the outstanding dues alongwith interest. The delay in realization of tariff payable to the Company by HPSEB, may affect the Company's cashflow.

**vi) Internal Control Systems and their adequacy:**

The Company has adequate internal control systems commensurate with its size of operations and is manned by qualified and experienced executives.

The Company has Management Committee at Project site to ensure efficient, economical operations and high quality control.

The Company also has, in addition to internal controls, concurrent audit being undertaken by the Auditors appointed by the Lenders to ensure that the internal control systems and policies are appropriately implemented.

**vii) Financial performance with respect to operational performance:**

The financial performance of the Company with respect to operational performance is satisfactory, ensuring the Company's commitments of servicing debts and enhancing the value for equity holders.

**viii) Material developments in Human Resources/Industrial relations:**

The Company recognises its human resources as its most valued asset. The Company has specialised professionals in the fields of Engineering, Finance and Administration and technical and non-technical staff to take care of its operations and allied activities.

Necessary training for the operations and maintenance was initially imparted by the main equipment suppliers, namely, Siemens A.G. Consortium, VA-Tech Hydro-Vevey, Alstom, etc. Training is a continuous process and for this purpose the training needs at various levels are identified and necessary training programmes are organized. Training programs are conducted in-house and personnel are also deputed for training programmes conducted by reputed institutes like National Thermal Power Corporation Limited, Power Management Institute, Noida, National Hydroelectric Power Corporation Limited, Bharat Heavy Electricals Limited, National Institute of Construction Management and Research, Council of Power Utilities, Indian Institute of Technology, Roorkee, National Safety Council, National Power Training Institute, Faridabad; etc. for training in specialised fields.

The Company has adequate number of technically qualified and well experienced Engineers, Chartered / Cost Accountants/ Company Secretary, Post Graduates, Graduates and ITI Certificate holders for the day to day operations of the Company.

The industrial relations continues to be cordial.

## AUDITORS' REPORT

### TO THE MEMBERS OF JAIPRAKASH HYDRO-POWER LIMITED

We have audited the attached Balance Sheet of **JAIPRAKASH HYDRO-POWER LIMITED** as at 31st March 2005 and also the Profit and 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 the 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 Section 227(4-A) of the Companies Act, 1956, we give 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 in para 1 above:
  - (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 have been kept by the Company as required by law so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report, are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement referred to in this report, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (e) On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2005, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31<sup>st</sup> March 2005 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 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 significant accounting policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
    - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2005,
    - ii) in the case of the Profit & Loss Account, of the profit of the Company for the year ended 31<sup>st</sup> March 2005.
    - iii) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended 31<sup>st</sup> March 2005.

For R.NAGPAL ASSOCIATES  
Chartered Accountants

Place : New Delhi  
Dated : 28th June, 2005

R.Nagpal  
Partner  
M.No. 81594

**ANNEXURE TO THE AUDITORS' REPORT**

Referred to in paragraph 1 of our report of even date on the accounts for the year ended 31<sup>st</sup> March 2005 of **JAIPRAKASH HYDRO-POWER LIMITED**

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) A substantial portion of the Fixed Assets have been physically verified by the management during the year and to the best of our knowledge and information given to us, no material discrepancies have been noticed on such physical verification.
- (c) No substantial part of the fixed assets have been disposed off during the year, which will affect the Company as a going concern.
- (ii) (a) The Inventory has been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion the procedures of physical verification of inventories followed by the management are 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 physical verification of inventory as compared to book records were not material.
- (iii) The Company has not granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of hydro-power. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) Based on the audit procedures applied by us and according to the information and explanations given to us we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered into the register required to be maintained under that section. The transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposit from the public during the year.
- (vii) The lenders have appointed a firm of Chartered Accountants as Concurrent Auditors who are conducting the audit on a quarterly basis. During our audit it was observed that all transactions are carried out under the personal supervision of senior officials of the Company.
- (viii) We have broadly reviewed the books of account relating to material, labour and other items of cost maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained.
- (ix) (a) As per records produced before us and according to the information and explanations given to us the Company is generally regular in depositing undisputed statutory dues applicable to it like Provident Fund, Income-tax, Customs duty, Cess with the appropriate authorities, and there were no arrears of such dues at the year-end which have remained outstanding for a period of more than six months from the date they became payable.
- (b) As per records produced before us and according to the information and explanations given to us there are no dues of Income-tax, Sales-tax, Customs duty, Wealth tax, Service Tax, Excise Duty or Cess which have not been deposited on account of any dispute.
- (x) The company does not have any accumulated losses at the end of the financial year, and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to any financial institution, bank or debenture holder.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion the Company is not a chit fund or a nidhi/mutual benefit fund/society. Hence, Clause (xiii) of Para 4 of the Order is not applicable.
- (xiv) In our opinion the Company is not dealing in or trading in shares, debentures or other investments. Accordingly, Clause (xiv) of Para 4 of the Order is not applicable.
- (xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions; hence Clause (xv) of Para 4 of the Order is not applicable.
- (xvi) In our opinion, the term loans have been applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we find that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, during the year 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.
- (xix) According to the information and explanations given to us, the company has created security/charge in respect of secured debentures issued and outstanding at the year end. In the case of Non Convertible debentures to the extent of Rs.174 crores allotted in favour of UTI Bank Ltd, the creation of security is in process.
- (xx) During the year the Company has not raised any money by way of public issues. Hence, Clause (xx) of Para 4 of the Order is not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For R.NAGPAL ASSOCIATES  
Chartered Accountants

R.Nagpal  
Partner

M.No. 81594

Place : New Delhi  
Dated : 28th June, 2005

**BALANCE SHEET**  
**AS AT 31ST MARCH 2005**

	SCHEDULE	As at 31.3.2005	(Rs. In Lakh)	
			As at 31.3.2004	
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	A	49,100	49,100	
Reserve & Surplus	B	6,702	5,791	
<b>LOAN FUNDS</b>				
Secured Loans	C	109,251	106,747	
		<b>165,053</b>	<b>161,638</b>	
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	D	164,231	164,011	
Less: Depreciation		15,555	7,201	
Net Block		148,676	156,810	
Capital Work in Progress		174	148,850	6
				156,816
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Inventories	E	264	21	
Sundry Debtors		15,256	9,980	
Cash & Bank Balances		5,176	1,675	
Other Current Assets		9	4	
Loans & Advances		1,611	780	
		<b>22,316</b>	<b>12,460</b>	
<b>LESS: CURRENT LIABILITIES &amp; PROVISIONS</b>				
Current Liabilities	F	4,413	8,991	
Provisions		5,201	576	
		<b>9,614</b>	<b>9,567</b>	
<b>NET CURRENT ASSETS</b>		<b>12,702</b>	<b>2,893</b>	
<b>MISCELLANEOUS EXPENDITURE</b>	G	<b>3,501</b>	<b>1,929</b>	
(To the extent not written off or adjusted)				
		<b>165,053</b>	<b>161,638</b>	
Accounting Policies and Notes to the Accounts	M			

As per our Report of even date  
attached to the Balance Sheet

For R.NAGPAL ASSOCIATES  
Chartered Accountants

**R.Nagpal**  
Partner  
M.No. 81594

Place: New Delhi  
Dated: 28th June, 2005

**M.M.Sibbal**  
Company Secretary

**A. B. Chugh**  
Sr. Vice President (Finance)

**R.K.Narang**  
Director

**J. N. Gaur**  
Director

**For and on behalf of the Board**

**Jaiprakash Gaur**  
Chairman

**Manoj Gaur**  
Director

**PROFIT & LOSS ACCOUNT**
**FOR THE YEAR ENDED 31st MARCH 2005**
**(Rs. In Lakh)**

	Schedule	Current Year		Previous Year	
		1.4.2004 to 31.3.2005		(24.5.2003 to 31.3.2004)	
<b>INCOME</b>					
Sale of Electrical Energy		30,499		30,002	
Less: Rebate for prompt payments		547	29,952	471	29,531
Other Income	H		183		130
			<b>30,135</b>		<b>29,661</b>
<b>EXPENDITURE</b>					
Operation & Maintenance	I		311		970
Employees Remuneration & Benefits	J		416		130
Administration & other expenses	K		1,142		1,057
Interest & Financial Charges	L		12,730		13,124
Misc. Expenditure Written Off			1,631		965
			<b>16,230</b>		<b>16,246</b>
<b>PROFIT BEFORE DEPRECIATION AND TAX</b>			<b>13,905</b>		<b>13,415</b>
Depreciation			8,356		7,126
<b>PROFIT BEFORE TAX</b>			<b>5,549</b>		<b>6,289</b>
Provision for Income Tax - Current Period		435		498	
- Earlier Years		4	439	-	498
<b>PROFIT AFTER INCOME TAX</b>			<b>5,110</b>		<b>5,791</b>
Add: Profit brought forward from previous year			4,291		-
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			<b>9,401</b>		<b>5,791</b>
<b>APPROPRIATION:</b>					
Debenture Redemption Reserve		3,300			1,500
Proposed Dividend		3,683			-
Income Tax on Proposed Dividend		516	7,499		-
<b>BALANCE CARRIED TO BALANCE SHEET</b>			<b>1,902</b>		<b>4,291</b>
Basic and Diluted Earnings Per Share (EPS), (in Rs.)			<b>1.04</b>		<b>1.24</b>
Accounting Policies and Notes to the Accounts	M				

 As per our Report of even date  
 attached to the Balance Sheet

**For and on behalf of the Board**

 For R.NAGPAL ASSOCIATES  
 Chartered Accountants

**Jaiprakash Gaur**  
 Chairman

**R.Nagpal**  
 Partner  
 M.No. 81594

**Manoj Gaur**  
 Director

 Place: New Delhi  
 Dated: 28th June, 2005

**M.M.Sibbal**  
 Company Secretary

**A. B. Chugh**  
 Sr. Vice President (Finance)

**R.K.Narang**  
 Director

**J. N. Gaur**  
 Director

	As at 31.3.2005	(Rs. In Lakh) As at 31.3.2004
<b>SCHEDULE 'A' : SHARE CAPITAL</b>		
<b>Authorised Capital</b>		
50,00,00,000 Equity Shares of Rs. 10/- each (Previous year 50,00,00,000 Equity Shares of Rs.10/- each )	<u>50,000</u>	<u>50,000</u>
<b>Issued &amp; Subscribed</b>		
49,10,00,600 Equity Shares of Rs.10/- each (Previous year 49,10,00,600 Equity shares of Rs.10/- each fully paid up) (The entire paid-up capital of Rs. 491,00,06,000/- (Previous year Rs.356,00,06,000 ) are held by Jaiprakash Associates Ltd - the holding Company— Also See Note No. 13)	<u>49,100</u>	<u>49,100</u>
	<b>49,100</b>	<b>49,100</b>

**SCHEDULE 'B' : RESERVE AND SURPLUS**

Debenture Redemption Reserve As per last Balance Sheet	<u>1,500</u>	-		
Add: Transferred from Profit & Loss a/c Surplus As per Profit & Loss Account	<u>3,300</u>	<u>4,800</u>	<u>1,500</u>	<u>1,500</u>
	<b>1,902</b>			<b>4,291</b>
	<b>6,702</b>			<b>5,791</b>

**SCHEDULE 'C' : SECURED LOANS**

(Refer Note 3(a) to 3(d) of Schedule 'M' for Security)

**DEBENTURES:**

Redeemable Non-Convertible Debentures	<b>32,400</b>			<b>30,000</b>
---------------------------------------	---------------	--	--	---------------

**TERM LOANS FROM:**

Financial Institutions	<b>26,841</b>		<b>26,841</b>	
Banks	<u>31,700</u>	<u>58,541</u>	<u>31,700</u>	<u>58,541</u>

**FOREIGN CURRENCY LOANS:**

Financial Institutions	<b>1,063</b>		<b>1,050</b>	
Buyers' Credit	<u>15,250</u>	<u>16,313</u>	<u>16,156</u>	<u>17,206</u>

**WORKING CAPITAL**

Banks	<b>1,997</b>			<b>1,000</b>
	<b>109,251</b>			<b>106,747</b>

**SCHEDULE 'D'**
**FIXED ASSETS**

		Rs. in lakhs									
		Gross Block			Depreciation				Net Block		
S. No.	Particulars	Cost As at 1.4.2004	Additions during the year	Sale / Transfer	Cost As at 31.3.2005	Upto 31.03.2004	For the year 1.04.2004 to 31.3.2005	Sale / Transfer during the year	Upto 31.3.2005	As at 31.3.2005	As at 31.3.2004
1	Land										
	- Lease Hold Land	179	-	-	179	4	4	-	8	171	175
	- Freehold Land	2	-	-	2	-	-	-	-	2	2
2	Building, Road & Bridges	7,551	-	-	7,551	106	123	-	229	7,322	7,445
3	Hydraulic Works	48,580	-	-	48,580	2,199	2,565	-	4,764	43,816	46,380
4	Transmission Line	23,625	-	-	23,625	1,069	1,248	-	2,317	21,308	22,556
5	Plant And Machinery										
	- Generating Equipment	83,470	184*	-	83,654	3,715	4,376	-	8,091	75,563	79,756
	- Others	357	30	-	387	40	18	-	58	329	317
6	Furniture & Fixtures	62	1	-	63	8	4	-	12	51	54
7	Office Equipment	26	1	-	27	6	3	-	9	18	20
8	Vehicles	159	9	5	163	54	15	2	67	96	105
	<b>Total</b>	<b>164,011</b>	<b>225</b>	<b>5</b>	<b>164,231</b>	<b>7,201</b>	<b>8,356</b>	<b>2</b>	<b>15,555</b>	<b>148,676</b>	<b>156,810</b>
	Previous Year	743	163,276	8	164,011	75	7,131	5	7,201	156,810	669
	Capital Work In Progress									<b>174</b>	<b>6</b>

Note: \* Additions on account of Foreign Exchange Rate Fluctuations and expenses related to project period.

As at 31.3.2005

 (Rs. In Lakh)  
 As at 31.3.2004

**SCHEDULE 'E' : CURRENT ASSETS, LOANS AND ADVANCES**
**CURRENT ASSETS**
**Inventories**

(As per Inventory taken, valued and certified by Management)

Stores &amp; Spares 264 21

**Sundry Debtors (Considered Good)**

 Due for a period exceeding six months 8,616 3,713  
 Other Debts 6,640 15,256 6,267 9,980

**Cash and Bank Balances**

 Cash In hand 19 3  
 Balances with Scheduled Banks  
     (i) In Current Account 52 148  
     (ii) In Fixed Deposits 2,379 342  
 (Pledged with Govt. Deptt./Banks Rs.27,60,000/-  
 Previous year Rs. 3,42,00,000/-)  
 Trust & Retention Account  
     (i) In Current Account 58 1,182  
     (ii) In Fixed Deposits 2,668 2,726 5,176 - 1,675

**Other Current Assets**

Interest accrued on Fixed Deposits with Banks 9 4

20,705 11,680

**Loans and Advances**

(Unsecured, considered Good)

 Advances to Suppliers, Contractors & Others 95 300  
 Staff Imprest & advances 6 12  
 Prepaid Expenses 80 35  
 Security Deposits -with Govt. Deptts., Public bodies 417 16  
 -others 100 517 114 130  
 Advance Tax & Tax Deducted at Source 913 302  
 1,611 780

22,316 12,460

**SCHEDULE 'F' : CURRENT LIABILITIES AND PROVISIONS**
**CURRENT LIABILITIES**

 Sundry Creditors  
     -Small Scale Industries - -  
     -Deferred Payments 1,400 1,510  
     -Others 2,091 3,491 4,222 5,732  
 Due to Staff 6 5  
 Due to Director 1 0  
 Other Liabilities 40 1,760  
 Interest Accrued but not Due on loans 875 1,494  
 4,413 8,991

**PROVISIONS**

 Taxation 962 545  
 Provident fund 4 2  
 Bonus & Incentive 12 11  
 Gratuity 13 11  
 Leave Encashment 11 7  
 Final Dividend 3,683 -  
 Dividend Tax 516 -  
 5,201 576

9,614 9,567



	As at 31.3.2005		(Rs. In Lakh) As at 31.3.2004	
<b>SCHEDULE 'G' : MISCELLANEOUS EXPENDITURE</b>				
(To the extent not written off or adjusted)				
Preliminary Expenses	53		80	
Less: Written Off	27	26	27	53
Share Issue Expenses	1,876		2,814	
Less: Written Off	938	938	938	1,876
Debt Restructuring expenses	3,203		-	
Less: Written Off	666	2,537	-	-
		3,501		1,929
		<b>Current Year</b>		<b>Previous Year</b>
		<b>1.4.2004 to 31.3.2005</b>		<b>(24.5.2003 to 31.3.2004)</b>
<b>SCHEDULE-H : OTHER INCOME</b>				
Interest on deposits with banks (TDS Rs. 2500627 - Previous Year Rs. 2085136)		118		100
Insurance claim		-		0
Others (including sale of trees and sundry balances written back)		65		30
		183		130
<b>SCHEDULE- I : OPERATION &amp; MAINTENANCE</b>				
Running & Operation Charges		-		950
Stores & Spares consumed		211		20
O & M Charges for ICF to SJVNL		100		
		311		970
<b>SCHEDULE-J : EMPLOYEES REMUNERATION &amp; BENEFITS</b>				
Salary , Wages & Bonus		330		106
Contribution to Provident and other funds		22		8
Workmen & Staff Welfare Expenses		57		6
Gratuity		3		5
Leave Encashment		4		5
		416		130
<b>SCHEDULE-K : ADMINISTRATION &amp; OTHER EXPENSES</b>				
Repairs to Building		32		6
Repairs to Machinery		79		73
Rent		118		94
Lease Rent of land		83		15
Insurance		353		237
Advertisement & Business Promotion		22		77
Telephone, Telex and Postage		10		6
Printing & Stationery		3		2
Travelling & Conveyance		49		28
Taxes & Fees		9		18
Consultancy, Legal & Professional Fee		60		450
Power & fuel		160		5
Security & Medical expenses		82		-
Vehicle Running & Maintenance		17		6
Director's Sitting Fee		2		1
Director's Remuneration		21		11
Miscellaneous Expenses		32		18
Concurrent Audit Fee		3		3
<u>Auditor's Remuneration</u>				
For Audit	4		4	
For Tax Audit	1		1	
For Other Services	2	7	2	7
		1,142		1,057
<b>SCHEDULE-L : INTEREST &amp; FINANCIAL CHARGES</b>				
<b>Interest</b>				
Debentures		3,643		4,075
Term Loans		8,458		8,795
Working Capital		122		2
<b>Financial charges</b>				
DPG Commission		280		226
Front end fee and other charges		227		26
		12,730		13,124

**SCHEDULE ' M ' - NOTES FORMING PART OF ACCOUNTS**
**1. Significant Accounting Policies:**
**a) Basis of Preparation of Financial Statement**

- (i) The accounts are prepared on the historical cost basis and on the principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are being consistently followed and are in accordance with generally accepted accounting principles.

**b) Revenue Recognition**

- (i) Revenue from sale of Electrical energy is accounted for on the basis of billing to Himachal Pradesh State Electricity Board (HPSEB) in accordance with the provisions of Power Purchase Agreement dated 4<sup>th</sup> June 1997 and Amendment No.1 dated 7.1.1998 executed between the company and HPSEB.
- (ii) Insurance claims are accounted for on receipt basis or as acknowledged by the Insurance Company.
- (iii) Other Income and cost/expenditure are accounted for on accrual basis as they are earned or incurred.

**c) Fixed Assets**

- (i) The Building and Plant & machinery acquired/constructed are stated at cost of acquisition/construction including Incidental Expenditure during Construction Period upto the date of commercial operation of the relevant assets and freight, duties & taxes etc.
- (ii) Fixed Assets are stated at Cost of acquisition inclusive of freight, duties, taxes and incidental expenses.

**d) Depreciation**

- (i) Premium on Leasehold Land is amortised over the period of lease.
- (ii) Fixed Assets are depreciated as per straight line method at the rates specified in Schedule XIV of the Companies Act, 1956.

**e) Expenditure During Construction Period**

Expenditure incurred on the project during implementation are capitalized and apportioned to various assets on commissioning of the Project.

**f) Foreign Currency Transaction**

- (i) Transactions in Foreign Currency are recorded in the Books of Account at the rate of exchange prevailing on the date of transaction.
- (ii) All loans and deferred credits repayable in Foreign Currency and outstanding at the close of the period are expressed in Indian Currency at the rate of exchange prevailing on the date of the Balance Sheet.
- (iii) Foreign Exchange gain/loss is being adjusted against the cost of assets as per the requirement of Schedule VI to the Companies Act, 1956.

**g) Inventories**

Inventories of Stores & Spares are valued at weighted average cost.

**h) Retirement Benefits**

Retirement Benefits are provided for in the books in the following manner :-

Gratuity and Leave Encashment  
 on Retirement - as per actuarial valuation  
 Provident Fund and Family Pension - on accrual basis

**i) Borrowing Costs**

Borrowing costs attributable to the acquisition / construction of fixed assets are capitalised as part of the cost of the respective assets upto the date of commissioning. Other borrowing costs are recognized as expense during the year in which they arise.

**j) Taxes on Income**

Provision for current tax is being made after taking into consideration benefits admissible to the company under the provisions of the Income Tax Act, 1961.

Deferred tax liability is provided pursuant to Accounting Standard AS-22. Deferred tax asset and Deferred tax liability is calculated by applying rates and tax laws that have been enacted or substantively enacted upto the Balance Sheet date.

**k) Amortisation of Miscellaneous expenditure**

Miscellaneous Expenditure is amortised over a period of 3 years from the date of Commercial Operation / date of transaction.

**l) Earnings per share**

Basic earnings per equity share are being computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the year.

**2. Contingent Liabilities**

- |   |                |
|---|----------------|
| (i) Outstanding amount of Bank Guarantee<br>(Previous year Rs. 3,42,00,000/-)   | Rs 2,76,00,000 |
| Margin Money against above<br>(Previous year Rs. 3,42,00,000/-)   | Rs 27,60,000   |
| (ii) Outstanding amount of Letter of Credit<br>(Previous year Nil)  | Nil            |
| (iii) Estimated amount of contracts remaining<br>to be executed on capital account and<br>not provided for : (Previous year Rs. Nil )   | Nil            |
| (iv) Claims against the company not<br>acknowledged as debts in respect of<br>cases filed for damages to private property<br>during the installation of Transmission Line.<br>(Previous year Rs. 31,83,130) | Rs 4,13,62,269 |
3. (a) Rupee Term Loans, Foreign Currency Loans and Deferred Payment Guarantee(s) from Financial Institutions and Banks, together with all interest, Guarantee Commission, liquidated damages, premia on prepayment or on redemption, cost, expenses and other monies stipulated in the Loan Agreements/ Deferred Payment Guarantee Agreement are secured by hypothecation of Company's movable assets (present and future), equitable mortgage on the immovable assets of the Company and pledge of 29,49,99,900 equity shares held by Jaiprakash Associates Limited in the company, ranking pari-passu among all the participating Institutions and Banks viz. IDBI, PFC, IIBI, LIC, Bank of Baroda, Punjab National Bank, Indian Overseas Bank, Central Bank of India, State Bank of Travancore, State Bank of Mysore, State Bank of Indore, State Bank of Patiala and State Bank of Hyderabad.
- 3 (b) The Foreign Currency Loans under Buyers' Credit are guaranteed by Deferred Payment Guarantee issued by Power Finance Corporation Limited.
- 3 (c) The Non Convertible Debentures, (NCDs) together with all interest, liquidated damages, remuneration payable to Trustees, premia on prepayment or on redemption, cost, expenses and other monies stipulated in the Subscription Agreements/Trustee Agreement are secured by a legal mortgage in English form by way of first mortgage and charge on Company's properties at Mouje Dhanot, Taluka Kalol, District Mehsana in the state of

Gujarat in favour of IDBI Trusteeship Services Ltd. (Trustees) for NCDs of Rs.1500 million subscribed by ICICI Bank Ltd. and hypothecation of the Company's movable assets (present and future), equitable mortgage on the immovable assets of the Company and pledge of shares as stated in 3(a) above held by Jaiprakash Associates Ltd. in the Company, ranking pari-passu among all the participating Institutions and Banks.

1740 10% Non Convertible Debentures of face value of Rs. 174 crores have been allotted in favour of UTI Bank Ltd. on 25.9.2004. The above debentures are redeemable in 24 installments at specific intervals as mentioned in Note No. 4 infra commencing from July 2010.

- 3 (d) The working capital facilities sanctioned by Punjab National Bank-Shimla against the security of pari-passu first charge on all stock of stores and spares and book debts and personal Guarantees of Shri Jaiprakash Gaur, Chairman, Shri S.K.Jain, Shri Manoj Gaur and Shri S.K.Sharma Directors, is being modified to rank pari-passu with the charges created in favour of Term Lenders.
- 4 All the participating financial Institutions/ Banks have agreed to realign the rate of interest on their respective financial assistance @ 10.50%p.a. except debentures issued to UTI bank which are @ 10% p.a. The repayments schedule has been refixed to be repayable in 44 equal instalments payable in July, August, September and October each year commencing from July 2005, with the following variation:

INSTITUTION	REPAYMENT / REDEMPTION
UTI Bank	Redemption in 24 Equal Instalments in July, August, September and October each year commencing from July 2010 (revised w.e.f. 25 <sup>th</sup> June, 2005).
PFC	Repayment in 39 Equal Instalments in July, August, September and October each year commencing from July 2005
IIBI	Repayment in 48 Equal Instalments in July, August, September and October each year commencing from July 2005.

ICICI Bank Ltd. vide its letter dated 24<sup>th</sup> June, 2005 have agreed to convert its financial assistance by way of subscription to NCD into Rupee Term Loans subject to completion of the necessary documentation.

- 5 (a) Jaiprakash Associates Limited, the holding Company, has furnished Corporate Guarantees for the financial assistance outstanding as on 31.03.2005 aggregating to Rs. 8,98,54,56,287 (Previous Year Rs.10,57,46,98,954) to the Financial Institutions and Banks and have also pledged 29,49,99,900 Equity Shares of Rs.10/- each of the Company held by it with IFCI Ltd. to collaterally secure the financial assistance granted to the Company by the Financial Institutions and Banks, namely ICICI Bank, IDBI, PFC, LIC, IIBI, Bank of Baroda, Punjab National Bank, Indian Overseas Bank, Central Bank of India, State Bank of Travancore, State Bank of Mysore, State Bank of Indore, State Bank of Patiala and State Bank of Hyderabad.
- 5 (b) Plant & Machinery includes a sum of Rs 62,86,78,388 being the cost paid for Inter Connection Facility (ICF) established by Satluj Jal Vidut Nigam Limited at their Switch yard at Jhakri for evacuation of Power generated by Baspa II Hydro-Electric Project. The maintenance cost of ICF is paid by the company to SJVNL. Jaiprakash Associates Limited, the holding Company, has furnished Bank Guarantee in favour of Satluj Jal Vidut Nigam Ltd. (SJVNL) for Rs. 7.00 crores (Previous Year Rs. 35.00 crores) in respect of the aforesaid ICF.

6 In the opinion of the Board of Directors, the "Current Assets, Loans and Advances" read with note no. 12, have a value on realisation, in the ordinary course of business, at least equal to the amount at which they are stated in the Balance Sheet.

7 The Trust and Retention Account (refer Schedule 'E') is maintained pursuant to the stipulations of the 'Financing Agreements' executed with the Lenders.

8 The Rupee value of Foreign Currency loans has been considered as at 31<sup>st</sup> March 2005 i.e. Bank TT selling rate of one US Dollar = Rs.43.89. The net increase on account of Foreign Exchange Fluctuation as on 31.03.2005 amounting to Rs 1,02,87,600 has been added to the cost of Plant & Machinery as per Schedule VI to the Companies Act, 1956 (Reduction in previous year Rs. 14,23,95,374).

9 Additional Information pursuant to the provisions of Paragraph 3 and 4 of Part-II of Schedule VI to the Companies Act, 1956:

(a) Capacity and Production (As certified by the Management)	
Installed Annual Capacity	- 300 MW
Net Saleable Design Energy at Interconnection Point	- 1050.06 Million Units
Average Saleable Secondary Energy at Interconnection Point	- 155.00 Million Units
<b>TOTAL</b>	<b>- 1205.06 Million Units</b>

**Production details & parameters**

Particulars – being 88% saleable part of total generation	Current Year	Previous Year (24.05.2003 to 31.03.2004)
Net Saleable Energy (MU)	1041.93	940.41
Saleable Secondary Energy (MU)	—	50.35
Deemed Generation (MU)	19.73	—
Plant Availability	99.77%	96.80%

(b) Value of imports on C.I.F. basis	2004-2005 Rs.	2003-2004 Rs.
Payment of 5% retention money to Suppliers of Capital Equipment	6,10,90,491	6,09,77,112
Payment for supplies of spares	35,08,072	-

(c) Expenditure in Foreign Exchange:		
Travelling (Directors)	2,91,070	92,106
Travelling (others)	3,59,684	1,09,420
Interest to Banks	6,16,89,542	5,85,95,022
Commitment fee, Management fee, ECA fee etc.	35,543	11,13,348
Supervision-Erection & Commissioning	NIL	1,16,29,313

(d) Details of Stores and Spares Consumed:				
	2004-2005 Rs.	%	2003-2004 Rs.	%
(i) Indigenous	2,06,11,410	97.63	7,09,633	35.40
(ii) Imported	5,00,025	2.37	12,94,701	64.60

(e) Earnings in Foreign Exchange		
	2004-2005 (Rs)	2003-2004 (Rs)
	Nil	Nil

**10 Managerial remuneration paid/payable to Whole-time Directors**

	<b>2004-2005</b>	<b>2003-2004</b>
	<b>Rs.</b>	<b>Rs.</b>
Salary	<b>12,95,000</b>	7,80,000
Provident Fund	<b>1,55,400</b>	93,600
Perquisites	<b>9,78,320</b>	5,74,990

11 There are no Small Scale Industrial Undertakings to whom the Company owes more than Rs.1 lakh which are outstanding for more than 30 days as at March 31, 2005.

12 The tariff for the power supplied by Baspa II HEP is to be determined by H.P. Electricity Regulatory Commission (HPERC) after receipt of approval of 'Firm Financial Package' from Central Electricity Authority (CEA), in accordance with the provisions of the Power Purchase Agreement executed between the Company & HPSEB on 4<sup>th</sup> June 1997 and Amendment No. 1 dated 7.1.1998. The payment of Electrical Energy is presently being made by HPSEB on the basis of revenue realised from sale of Baspa II HEP power as per the directions of HPERC. The Energy bills are prepared in accordance with the provisions of the PPA based on the completion cost of Rs 15500 million approved by the HPSEB and the Govt. of Himachal Pradesh.

Sundry Debtors of Rs 152.56 crore arising out of the invoice amount and the payments made by HPSEB includes Rs 83.44 crores (Refer schedule E) which are subject to necessary adjustments upon determination of tariff by the HPERC.

13. The Company became wholly owned subsidiary of Jaiprakash Associates Limited (JAL) with effect from 31.12.2004 consequent upon the buyback of 11 crores equity shares by Jaiprakash Associates Limited (JAL) from ICICI Bank Ltd. In March 2005, Jaiprakash Associates Limited completed an Offer For Sale (OFS) of 18 crore Equity Shares @ Rs 32.00 Per Equity Share to the public. Consequent to completion of the OFS and transfer of 18 crore Equity Shares to public by JAL, the company ceased to be wholly owned subsidiary of JAL but continued to be a subsidiary as earlier.

On April 18, 2005, the equity shares of the company were listed on the National Stock Exchange of India and The Stock Exchange, Mumbai.

14. Related Party disclosures, as required in terms of "Accounting Standard [AS] 18" are given below:

(1) Relationships (Related party relationships are as identified by the Company and relied upon by the Auditors)

(a) Holding Company:

Jaiprakash Associates Limited

(b) Fellow subsidiaries:

- (i) Jaypee Hotels Limited
- (ii) Jaiprakash Power Ventures Limited
- (iii) Jaypee Karcham Hydro Corporation Limited

(c) Associates:

- (i) Jaypee Ventures Limited
- (ii) Jaypee Greens Limited
- (iii) Indesign Enterprises Pvt Ltd
- (iv) Jaypee Industrial & Medical Services Limited.
- (v) JIL Information Technology Limited
- (vi) Gaur & Nagi Limited
- (vii) Shiras Estates Ltd.

(d) Key management Personnel:

- (i) Shri Jaiprakash Gaur, Chairman
- (ii) Shri J. N. Gaur, Whole-time Director
- (iii) Shri R. K. Narang, Whole-time Director w.e.f. 28.6.2004

(2) Transactions carried out with related parties referred to above:

Nature of Transactions	Related parties			
	Referred in 1(a) above	Referred in 1(b) above	Referred in 1(c) above	Referred in 1(d) above
Expenses				
Fixed Assets (Previous Year)	Nil			
Operation & Maintenance (Previous Year)	(8,14,08,439)		Nil	
Rent (Previous Year)	1,10,64,000		(27,58,065)	
Other Expenses (Previous Year)	(1,04,64,000)	3,33,795		
Salary & Perquisites (Previous Year)		(1,57,675)		24,28,720
Security & Medical (Previous Year)			82,32,566	(14,48,590)
Outstandings - Payables			( Nil )	
Amount Payable (Previous Year)	16,21,73,936			
Others (Previous Year)	(16,16,48,242)	Nil	70,12,982	1,17,673
		(142,086)	( Nil )	(43,340)

Guarantees given by the holding company on behalf of the company have been mentioned elsewhere in the notes to accounts.

15. Earnings Per Share is computed in accordance with Accounting Standard -20 issued by the Institute of Chartered Accountants of India.

	<b>2004-2005</b>	<b>2003-2004</b>
	<b>Rs</b>	<b>Rs</b>
a) Profit after Tax as per Accounts	51,10,13,263	57,90,96,700
b) Weighted average of shares outstanding during the period	49,10,00,600	46,72,02,786
c) Earnings Per Share	1.04	1.24

16. (a) Provision of Rs 4,35,10,399 towards Minimum Alternate Tax (MAT) as tax payable under Section 115JB of Income Tax Act, 1961 has been made for the current year from 01.04.2004 to 31.03.2005.

(b) Deferred Tax provision is not required to be made in view of the exemption available to the Company for first 10 years in terms of Section 80IA of The Income Tax Act, 1961.

17. (a) The Operation & Maintenance and other expenses during the current year are not strictly comparable with those of the previous year, since the operation of the Power Plant during the year under report has been carried out by company itself.

(b) The figures for the year ended 31.03.2005 are not comparable with that of previous year as the year under report is from 1<sup>st</sup> April 2004 to 31<sup>st</sup> March 2005 and the previous year figures were from 24<sup>th</sup> May 2003 to 31<sup>st</sup> March 2004.

18. (a) All the figures have been rounded off to the nearest lakh rupees except in Notes to the Accounts.

(b) Previous years' figures have been regrouped/re-arranged wherever considered necessary to make them conform to the figures for the current year.

Signatures to Schedules "A to M"

For R.NAGPAL ASSOCIATES  
Chartered Accountants

R.Nagpal  
Partner  
M.No. 81594

For and on behalf of the Board

Jaiprakash Gaur  
Chairman  
Manoj Gaur  
Director

M.M.Sibbal  
Company  
Secretary

A.B.Chugh  
Sr. Vice President  
(Finance)

R K Narang  
Director

J N Gaur  
Director

Place : New Delhi  
Date : 28th June, 2005

**Cash Flow Statement for the period ended 31st March 2005**

	(Rs. In Lakh)			
	Current Year 1.4.2004 to 31.3.2005		Previous Year 24.5.2003 to 31.3.2004	
<b>A. Cash flow from operating activities</b>				
Profit before taxation		5,549		6,289
<b>Add Back</b>				
Depreciation		8,356		7,126
Amount written off				
-Miscellaneous Expenditure		1,631		965
Loss on sale of Assets		2		2
Interest & financial charges		12,730	22,719	13,124
<b>Deduct:</b>				
Interest Income		(118)		(100)
Other Income		(65)	(183)	(30)
Operating profit before working capital changes		28,085		27,376
<b>Add:</b>				
(Increase)/Decrease in Trade Debtors		(5,276)		(9,980)
(Increase)/Decrease in Inventories		(242)		(21)
(Increase)/Decrease in Loans and Advances and others		(226)	(5,744)	(173)
<b>Deduct:</b>				
Increase/(Decrease) in Trade Payables		(4,578)		4,524
Increase/(Decrease) in Provisions		10	(4,568)	18
Cash generated from Operations		17,773		21,744
Adjustments for :				
Interest & financial charges paid		(12,730)		(13,124)
Income tax paid (net of refund)		(633)	(13,363)	(246)
Net cash inflow from operating activities—'A'		4,410		8,374
<b>B. Cash flow from Investing activities</b>				
<b>Outflow</b>				
Investment in Fixed Assets in Cash		(393)		(9,889)
<b>Inflow</b>				
Sale of Assets		0		1
Interest Income		118		100
Other Income		65	183	30
Net cash used in investing activities—'B'		(210)		(9,759)
<b>C. Cash flow from Financing activities</b>				
<b>Inflow</b>				
Increase in Share Capital		-		3,100
Increase in Borrowings		2,504		-
<b>Outflow</b>				
Decrease in Borrowings		-		(963)
Payment of Debt				
Restructuring expenses		(3,203)		
Net cash in financing activities—'C'		(699)		2,137
Net increase/(Decrease) in cash or cash equivalent (A+B+C)		3,501		752
Cash & cash equivalent at the commencement of the year (Opening balance)		1,675		923
Cash & cash equivalent at the end of the year (closing balance)		5,176		1,675

For R.NAGPAL ASSOCIATES Chartered Accountants

R.Nagpal Partner  
M.No. 81594

Jaiprakash Gaur Chairman  
Manoj Gaur Director

Place : New Delhi  
Date : 28th June, 2005

M.M.Sibbal Company Secretary  
A.B.Chugh Sr. Vice President (Finance)  
R K Narang Director  
J N Gaur Director

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS**
**PROFILE PURSUANT TO**
**PART-IV OF SCHEDULE-VI TO THE COMPANIES ACT, 1956**

<b>I Registration Details:</b>			
Registration No.	: 15483	State Code No.06	
Balance Sheet Date	: 31.03.2005		
<b>II Capital raised during the year (Amount in Rs.Lakhs)</b>			
Public Issue	Nil	Rights Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
<b>III Position of Mobilisation and Deployment of Funds (Amount in Rs. Lakhs)</b>			
<b>1.4.2004 to 31.3.2005</b>			
Total Liabilities			165.053
Total Assets			165.053
<b>Sources of Funds</b>			
Paid-up Capital			49,100
Share Application Money			-
Reserve & Surplus			6,702
Secured Loans			109,251
Unsecured Loans			-
			165,053
<b>Application of Funds</b>			
Net Fixed Assets(including CWIP)			148,850
Investments			-
Net Current Assets			12,702
Miscellaneous Expenditure			3,501
Accumulated Losses			-
			165,053
<b>IV Performance of Company (Amount in Rs. Lakhs)</b>			
Turnover			30,135
Total Expenditure			16,230
Profit/(Loss) Before Tax			5,549
Profit/(Loss) After Tax			5,110
Earnings Per Share in Rs.			1.04
Dividend Rate			7.50%
<b>V Generic Names of three Principal Products/Services of the Company (as per Monetary terms)</b>			
Item Code No.(ITC Code)			8502.30
Product Description			Hydro-Power

For R.NAGPAL ASSOCIATES Chartered Accountants

R.Nagpal Partner  
M.No. 81594

Jaiprakash Gaur Chairman  
Manoj Gaur Director

Place : New Delhi  
Date : 28th June, 2005

M.M.Sibbal Company Secretary  
A.B.Chugh Sr. Vice President (Finance)  
R K Narang Director  
J N Gaur Director

**IMPORTANT**

The Shareholders are advised to please ensure that the Bank Account details i.e. Name of the Bank and Bank Account Number are correctly recorded by their Depository Participants. It may kindly be noted that the dividend, when declared, shall be sent through Electronic Clearing Service for credit in the Bank Account notified by the shareholders with their respective Depository Participants. Further, in Non-ECS cases, the Bank Account details would be printed on the dividend warrant(s) as per the records available with Depository Participants received by the Company's Registrar through NSDL/ CDSL.