

Indiabulls Infrastructure and Power Limited

— Annual Report 2011-12 —



Indiabulls

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Corporate Information

BOARD OF DIRECTORS

Mr. Sameer Gehlaut
Mr. Rajiv Rattan
Mr. Saurabh Kumar Mittal

Mr. Ram Kumar Sheokand
Mr. Rajender Singh Malhan
Mr. Joginder Singh Kataria

Company Secretary

Mr. Gaurav Srivastava

Statutory Auditors

Sharma Goel & Co.,
Chartered Accountants,
A - 47 Lower Ground Floor,
Hauz Khas,
New Delhi – 110 016

Registrar and Transfer Agent

Karvy Computershare Private Limited
Plot No.17-24, Vittal Rao Nagar,
Madhapur,
Hyderabad – 500 081

Registered Office

M – 62 & 63, First Floor,
Connaught Place,
New Delhi – 110 001
Website: www.indiabulls.com/ibipl/

Corporate Offices

“Indiabulls House” 448-451,
Udyog Vihar, Phase V,
Gurgaon – 122 016
Haryana

Indiabulls Finance Center,
Tower 1, Elphinstone Mills,
Senapati Bapat Marg,
Elphinstone Road, Mumbai - 400 013
Maharashtra

Banker

HDFC Bank Limited

ECONOMIC SCENARIO

Indian macroeconomic environment has looked volatile during the last year because of global concerns particularly the European debt crisis and slowdown in US economy. The fiscal year 2011-12 saw a new set of global challenges impacting the momentum of Indian growth through a complex play in Manufacturing, Financial and Services sector. The year started on a note of optimism through impressive growth in exports and high foreign exchange inflows, but the growth moderated as the year progressed through continued monetary tightening in response to the untamed inflationary pressures. Over the months, high inflation brought down the quarter on quarter growth. Additionally, as fiscal conditions deteriorated over the months, and in light of a perceivably weak macro-economic environment, a well-planned economic revival policy was required to get the Indian Economy back on the path to a stable and prosperous growth. Indian economy is inherently driven by domestic consumption with most investment funded by domestic savings. This makes our economy more resilient to external shocks. However the global financial crisis has led to reduced growth in exports and a significant decrease in foreign currency inflows. Despite the turbulent macroeconomic environment, India remains one of the stable economies of the world.

INDUSTRY OVERVIEW

Advisory Services

The advisory / consultancy service industry uses different methodology to design and construct new facilities and turnarounds. The two most common types of construction contracts are EPC “turn-key” and EPCM. Each of these methods have variations that can be adapted to each project as needed.

EPC (Engineering, Procurement and Construction): An EPC turn-key project is a well-known project management term refers to performing a complete project on a lump sum turnkey basis which encompasses the engineering, procurement and construction of the whole project. The FEED (front end engineering design) forms the basis of detailed design of the complete project, which in turn generates the basic data for the procurement and civil, mechanical, electrical and instrumentation (CME&I) works of an EPC project. The project objective is to ensure safe, timely, and successful completion of the EPC project within allocated budget.

EPCM (Engineering, Procurement and Construction Management): contracts encompasses to provide engineering, procurement and construction management services. Other companies are contracted by the Owner directly to provide construction services and they are usually managed by the EPCM contractor on the Owner’s behalf. These are basically Professional Services contracts, where the project is largely Owner managed and the cost risk and control is weighted towards the Owner.

BUSINESS REVIEW

The Company, incorporated in India on November 09, 2010, is engaged in the business of providing consultancy to various other companies, which are or planning to venture into infrastructure projects including the business of generation, transmission and distribution of power or are in the process of setting up the power generation plants. The services inter-alia includes advising on finalization of bid documents, selection of equipments / suppliers / sourcing of raw materials, designing of the power plant, negotiations and finalization of the terms and conditions of various legal documents including sourcing agreements with suppliers, financial closures agreements, engineering contracts, agreements with the construction contractors etc. by the power generation/distribution companies.

The Company’s major investment is in Indiabulls Power Limited. (IPL). Brief review of the Projects of IPL is as under:

PROJECTS OF IPL UNDER CONSTRUCTION

IPL is currently executing two coal based thermal power projects with an aggregate capacity of 5400 MW in the State of

Maharashtra viz. 2700 MW project in Nandgaonpeth of Amravati district and another 2700 MW in Sinnar of Nasik district. Both Amravati and Nasik Thermal Power Projects are being constructed in two phases each of 1350 MW.

During the current financial year, IPL has met all construction targets set for the year. Plants at both the locations i.e. Amravati and Nashik are ready. These projects have been constructed without any escalation in costs and as per the original financial closure and the project cost of BHEL manufactured 270 MW units at Rs. 5cr is the cheapest cost per MW by any IPP using BHEL equipment. Best in the class companies such as BHEL, ABB, Siemens, Areva, L&T, Shapoorji Pallonji, GDC and Paharpur, have been engaged to accomplish the task. The Boiler lightup of Amravati has been accomplished and the commercial production of electricity will start within 90 days. Boiler lightup of Nashik is scheduled to happen in October and the commercial production of electricity will start within 90 days from October, 2012.

Amravati Thermal Power Project (1350 MW Phase I):

The estimated cost of the Project is Rs. 6,888 Crores, being funded with Debt: Equity ratio of 75:25. The financial closure has been achieved with consortium of leading Financial Institutions & Commercial Banks with Power Finance Corporation Limited in the lead.

During the year, Boiler & ESP foundations for Unit # 1 to 5 were completed and erection work is in full swing. More than 20,000 MT Boiler & 11,150 MT ESP materials have been erected. The milestone activities of Boiler Drum lifting of Unit # 1 to 5 and Hydraulic test of Unit # 1 & 2 have been completed. On TG front, TG Decks for all the 5 Units have been completed and erection of Turbine Generator & Auxiliaries progressed as per schedule.

As regards Balance of Plant, the civil works of Twin Flue Chimney # 1 and Triple Flue Chimney #2 have been completed and flue-can erection is in progress. The Cooling Towers (IDCT), CW System, Cross Country Pipeline, Water Treatment Plant, Coal Handling Plant, Ash Handling Plant, Compressed Air System, Heating, Ventilation & Air Conditioning (HVAC) System, Fuel Oil System, Railway Siding works, 400 KV Switchyard, 400 KV Amravati - Akola Transmission line, Generator Transformers (GTs), Station Transformers(STs) and Unit Aux Transformers(UATs) are also progressing satisfactorily.

Amravati Thermal Power Project (1350 MW Phase II)

Project capacity is being expanded by additional 1350 MW in Phase II (Unit #6 to 10) within the existing 1,350 Acre land at an estimated cost of Rs.6,646 Crores which is being funded with Debt to Equity ratio of 75:25. The financial closure has been achieved with IDBI Bank Limited as Facility Agent/ Underwriter.

M/s Tata Consulting Engineers (TCE), Bangalore and M/s TPSC (I) Pvt. Limited, Hyderabad are the Owner's Consultants. The Statutory & Non Statutory Clearances / Approvals including Environmental Clearance and Coal linkage are available. The Unit configuration of 5x270 MW has been retained and BTG has been ordered on Bharat Heavy Electrical Limited (BHEL) and Balance of Plant is being sourced from other reputed vendors.

The BTG foundation work and Balance of Plant civil works for Cooling Towers, Chimneys & Coal Handling area are in progress. The Boiler erection work has been taken up in Unit # 6 & 7 and 1,500 MT has been erected.

Nashik Thermal Power Project (1350 MW Phase I):

1350 MW Nashik Thermal Power Project is being implemented by Indiabulls Realtech Limited (wholly owned subsidiary of IPL). The Project is estimated to cost Rs. 6,789 Crores with Debt: Equity ratio of 75:25 and financial closure has been achieved with Power Finance Corporation Limited as Lead Lender.

BTG Package of 5x270 MW has been sourced from M/s BHEL and Balance of Plant packages have been awarded to reputed vendors viz. Shapoorji Pallonji, Gannon Dunkerly, L&T, Gammon, Paharpur, Doshion, Voltas, Areva and Siemens etc.

The Boiler and ESP foundations have been completed and approx. 16,170 MT Boiler & 7,540 MT ESP material has been

erected. The Boiler Drums of all 5 Units have been lifted and Hydraulic test of Unit # 1 has also been completed. TG-Decks have already been cast for Unit # 1 to 4 and Turbine Generator erection is in progress.

The Civil works of Chimney # 1 and 2 have been completed and erection of Flue-Can is in progress. The construction of Induced Draft Cooling Towers (IDCT), Coal Handling Plant, Ash Handling Plant, CW System, Cross Country Pipeline, Water Treatment Plant, Compressed Air System, HVDC System, Fire Fighting System, Fuel Oil System, 400 kV GIS Switchyard etc. are in progress. The work of 400 KV Transmission line is nearing completion and erection of Power Transformers viz. GTs, STs and UATs is in progress.

During the year 2011-12, Government of Maharashtra has approved purchase of 950 MW from Nasik Phase I by Maharashtra State Electricity Distribution Company Limited (MSEDCL) and BES&T Undertaking at a levelised tariff of Rs. 3.42/kWh. Power Purchase Agreement has already been initiated with MSEDCL for long term supply of 650 MW, PPA with BES&T Undertaking is also expected to be executed soon.

Nashik Thermal Power Project (1350 MW Phase II):

IPL is expanding the Project capacity by adding another 1350 MW in Phase II at an estimated cost of Rs.6,515 Crores with Debt: Equity of 75:25. The financial closure has been achieved with ICICI Bank Limited as Facility Agent/ Underwriter.

M/s Tata Consulting Engineers (TCE), Bangalore and M/s TPSC (I) Pvt. Limited, Hyderabad are the Owner's Consultants. The requisite Statutory & Non Statutory Clearances & Approvals including Environmental Clearance and Coal linkage are in place. Water Agreement for 90 MLD for Phase II has been signed with Irrigation Department of Government of Maharashtra.

The Main Plant Equipment i.e. 5x270 MW BTG has been ordered on Bharat Heavy Electrical Limited (BHEL) and the Balance of Plant is being sourced from reputed vendors. The construction works are in progress and 1,200 MT Boiler material has been erected. The work is also progressing in Balance of Plant areas viz. Chimneys, Cooling Towers & Coal Handling Plant etc.

COMPETITIVE STRENGTHS

The Company's competitive strengths are the in-house valuable practical experience of developing Mega Thermal Power Plants, bidding for long term power purchase agreements through tariff based competitive bidding process, working closely with the state and central governments, and its profound understanding of the regulatory framework of Indian Power sector. The Company has a strong regulatory perspective and is well versed with risks and commercial arrangements associated with development, construction and commissioning of various generation, transmission and distribution schemes.

STRATEGY

The Company is confident to utilize the rich hands-on in house experience and recruit more highly skilled & experienced staff to strengthen its competitiveness. The Company intends using its deep domain expertise in the sector to generate business and explore newer pastures.

Risks

The success of the Company substantially depends on the continuous growth of the Power sector in India which to a large extent is dependent on the construction & operation of Power Projects which in-turn is dependent on the uninterrupted availability of fuel, coal, water, gas etc., which are critical to the operations of the Power Plants, along with regulatory clearances among others. In the event, of non availability of these critical resources on regular basis, setting up of the Power Projects may get affected which may adversely affect the operations of the Company.

HUMAN RESOURCES

The Company accords utmost importance to the proper recruitment and training of its employees so as to have a committed work force with the right mindset and skills.

With strong belief in training and development your Company employs scientific methods to choose the right kind of talent and to groom the individuals chosen, into professionals of the highest quality and caliber.

To ensure that the Company's employees work with utmost zeal and passion and above all there is a sense of belonging to the organization, the Company has in place a work policy and culture which satisfies the intellectual facet of the employees.

INTERNAL CONTROL SYSTEMS

The Company has in vogue system of internal control commensurate with the nature and size of its operations, which effectively and adequately encompasses every facet of its operations and every functional area.

The effectiveness and deliverability of the internal control system is reviewed periodically so that measures if any needed for strengthening of the same, with the changing business needs of the Company, can be taken.

CAUTIONARY STATEMENT

Statements in this Management Discussion and Analysis Report describing the Company's Objectives, projections, estimates and expectations, may be forward looking statements within the meaning of applicable laws and Regulations and the actual results might differ from those expressed or implied.

The Company is not under any obligation to publicly amend, modify or revise any such forward looking statements on the basis of any subsequent developments, information or events.

Dear Shareholders,

Your Directors present to you the Second Annual Report together with the audited statement of accounts of the Company for the financial year ended March 31, 2012.

FINANCIAL RESULTS

The summary of the financial results of the Company for the financial year ended March 31, 2012.

Particulars	(Amount in ₹)	
	For the year ended March 31, 2012	For the Period from November 9, 2010 to March 31, 2011
(Loss) / Profit before Tax and Depreciation	(36,066,045)	1,941,835
Less : Depreciation	78,913	-
(Loss) / Profit before Tax	(36,144,958)	1,941,835
Less : Tax Expenses	(1,424,817)	628,319
(Loss) / Profit after tax	(34,720,141)	1,313,516
Add: balance brought forward	1,313,516	-
Amount transferred of Reserves and Surplus	(33,406,625)	1,313,516

BUSINESS REVIEW

The Company, incorporated in India on November 09, 2010, is engaged in the business of providing consultancy to various other companies, which are or planning to venture into infrastructure projects including the business of generation, transmission and distribution of power or are in the process of setting up the power generation plants. The services inter-alia includes advising on finalization of bid documents, selection of equipments / suppliers / sourcing of raw materials, designing of the power plant, negotiations and finalization of the terms and conditions of various legal documents including sourcing agreements with suppliers, financial closures agreements, engineering contracts, agreements with the construction contractors etc. by the power generation/distribution companies.

The Company's major investment is in Indiabulls Power Limited. (IPL) which alongwith its subsidiary, is currently developing two thermal power projects namely, Amravati Thermal Power Project and Nashik Thermal Power Project. Plants at both the locations i.e. Amravati and Nashik are ready. Brief review of these projects is in Management Discussion and Analysis report, which is forming part of this Annual Report.

SIGNIFICANT DEVELOPMENTS

Pursuant to the court approved Scheme of Arrangement(SOA) and upon the said scheme becoming effective on November 25, 2011, the Power Business Undertaking of Indiabulls Real Estate Limited ("IBREL") got vested with the Company w.e.f April 1, 2011, the Appointed Date fixed under the Scheme, in consequence whereof, the Company came to acquire 53.20% in the paid-up capital of Indiabulls Power Limited. (IPL), as it stood at that point of time. Subsequently, consequent to the issue of additional shares by IPL pursuant to another scheme of arrangement of IPL, the holding of the Company in IPL got diluted to 44.84%.

The Company pursuant to SOA, had allotted 118,85,86,680 Fully paid-up Equity shares of face value Rs. 2/- each and 8,43,70,000 Partly paid-up Equity shares of face value Rs. 2/- each paid-up to the extent of Re. 0.50 per share, to the shareholders of fully and partly paid-up shares of IBREL, respectively, as on December 8, 2011, the Record Date fixed for the purpose. Subsequently, on receipt of balance money called up on partly paid-up shares, the entire issued, subscribed & paid-up capital of the Company as on date comprises of 127,29,56,680 fully paid-up equity shares of face value of Rs. 2/- each.

The Equity shares of the Company got listed with National Stock Exchange of India (NSE) and BSE Limited (BSE), effective July 30, 2012. The Company is in the process of getting its Global Depository Receipts (GDRs) listed on Luxembourg Stock Exchange.

CHANGE IN REGISTERED OFFICE ADDRESS

The registered office of the Company was shifted from 1A, Hamilton House, 1st Floor, Connaught Place, New Delhi – 110001 to M – 62 & 63, First Floor, Connaught Place, New Delhi – 110 001 w.e.f March 4, 2012.

DIVIDEND

In view of the losses incurred during the year under review, no dividend could be recommended for the year ended March 31, 2012.

PUBLIC DEPOSITS

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

DIRECTORS

The Board was reconstituted on January 21, 2012 and Mr. Sameer Gehlaut (DIN: 00060783), Mr. Rajiv Rattan (DIN: 00010849), Mr. Saurabh Kumar Mittal (DIN: 01175382), Mr. Ram Kumar Sheokand (DIN: 00183200), Mr. Joginder Singh Kataria (DIN: 05202673) and Mr. Rajender Singh Malhan (DIN: 05208128) were appointed as an Additional Directors on the Board of the Company, and they hold office upto the date of the ensuing Annual General Meeting. In terms of the provisions of Section 257 of the Companies Act, 1956, members have proposed the candidatures of Mr. Gehlaut, Mr. Rattan, Mr. Mittal, Mr. Sheokand, Mr. Kataria, Mr. Malhan for appointment as Directors of the Company.

Mr. Abhimanyu Singh Mehlawat (DIN: 02229285), Mr. Rajender Nagpal (DIN: 02258252) and Mr. Mukul Bansal (DIN: 00399080), resigned from the Directorship of the Company on January 21, 2012. Your Directors place on record their appreciation for the services rendered by them during their tenure as directors on the Board of the Company.

Brief resume of Mr. Gehlaut, Mr. Rattan, Mr. Mittal, Mr. Sheokand, Mr. Kataria, Mr. Malhan, nature of their expertise in specific functional areas and names of companies in which they hold directorships and memberships/ chairmanships of Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India, are provided in the Report on Corporate Governance forming part of the Annual Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management's Discussion and Analysis Report for the year under review, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges in India, is presented in a separate section forming part of the Annual Report.

CORPORATE GOVERNANCE REPORT

Pursuant to clause 49 of the Listing Agreements with the Stock Exchanges, a detailed report on Corporate Governance is included in the Annual Report. A Practicing Company Secretary's Certificate certifying the Company's compliance with the requirements of Corporate Governance in relation to clause 49 of the Listing Agreement is attached with the Corporate Governance Report.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors confirm that:

1. in the preparation of the annual accounts, the applicable accounting standards have been followed and that there are no material departures from the same;
2. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2012 and the losses of the Company for the year ended on that date;
3. the Directors have taken proper and sufficient care for maintaining of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and