

Indiabulls Infrastructure and Power Limited

— Annual Report 2012-13 —



Indiabulls

Indiabulls Infrastructure and Power Limited

Contents

Corporate Information	2
Management Discussion and Analysis	3
Directors' Report	7
Report on Corporate Governance	11
Financials	22

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,
Y -59, Hauz Khas,
New Delhi – 110 016

REGISTRAR AND TRANSFER AGENT

Karvy Computershare Private Limited
Plot No.17 to 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 House”
Indiabulls Finance Centre,
Tower 1, Senapati Bapat Marg,
Elphinstone Road, Mumbai - 400 013
Maharashtra

BANKERS

HDFC Bank Limited
Axis Bank Limited
Yes Bank Limited

Management Discussion and Analysis

ECONOMIC OVERVIEW

India's economic growth has slowed down in last year which is attributable to both external as well as domestic causes. The stimulus given post financial crisis in 2008 led to stronger growth in 2009-10 and 2010-11. But increased consumption coupled with supply side constraints, led to higher inflation. This has led RBI to tighten monetary policy, even as external headwinds to growth increased. The consequent slowdown, especially in 2012-13, has been across the board, with all sectors in economy getting affected. Macroeconomic conditions have remained weak, hamstrung by infrastructure bottlenecks, supply constraints, lacklustre domestic demand and subdued investment sentiment. Inflation has moderated as projected. Wholesale price index (WPI) inflation has been coming down in recent months. But due to higher food inflation, CPI inflation has remained close to double digits. Further the slowdown has also resulted in lower-than-targeted tax and non-tax revenues. With the subsidies bill, particularly that of petroleum products, increasing, there is a real possibility that fiscal deficit targets may be breached in the current year. The situation warranted urgent steps to reduce government spending so as to contain inflation. Also required were steps to facilitate corporate and infrastructure investment so as to ease supply. Several measures announced in recent months are aimed at restoring the fiscal health of the government and shrinking the CAD as also improving the growth rate. With the global economy likely to recover somewhat in 2013, these measures should help in improving the Indian economy's outlook for 2013-14.

Global growth has been patchy and uneven. Among advanced economies, during Q1 of 2013, growth in US and Japan improved while that in the euro area contracted. Growth in most emerging and developing economies has been relatively resilient, although in some large emerging economies, sluggish external demand and stalled domestic investment are dragging down economic activity. Inflation has been easing in the Advanced Economies due to weak demand conditions. Emerging and Developing Economies, however, present a mixed picture; inflation remains elevated in the BRICS except China. Commodity prices, other than the price of crude, have generally softened in recent months.

INDUSTRY OVERVIEW

The Indian power sector is currently at a critical juncture of its transition from a monolithic opaque state controlled regime to a vibrant, competitive market driven structure which aims to provide quality power at affordable prices to all parts of the economy. The competition for energy resources is becoming more intense and opening the way for alternative fuels too, and industry-wide improvements are needed for project and operational efficiency.

Due to the historical imbalance between demand and supply in Indian power sector, there has been consistent demand for power generation companies in India, which historically has been primarily supplied by the central and state governments. The Electricity Act, 2003 (the "**Electricity Act**") removed licensing requirements for thermal generators, provided for open access to transmission and distribution networks and removed restrictions on the right to build captive generation projects. These reforms provided opportunities for increasing private sector involvement in power generation and, in turn, resulted in increased demand for power advisory services, such as regulatory and policy advisory, bid advisory, project management consultancy, performance improvement and transaction advisory services.

Drawing upon the fluctuating industry dynamics, companies are seeking advisory services from consulting organizations having deep understanding and knowledge of power sector. Companies require tailored strategies to tackle the full range of strategic and market challenges. Working with condition-driven methodologies, consulting firms help clients envision the future, set clear targets, and develop and implement appropriate strategies. They provide holistic and quality advisory, engineering and capacity building services in energy covering coal, oil, gas and power to multilateral, government and private sector clients. Consulting firms deliver critical knowledge and independent analysis on energy markets, geopolitics, industry trends, and strategy.

BUSINESS REVIEW

Consultancy in power market of the country can be classified based on the strategic intent and sector of implementation such as Generation, Transmission, Distribution, Renewable, Energy Efficiency, smart Grid etc.

The capacity additions (conventional) envisaged during 12th plan would be 76,000 MW. This implies capacity addition requirement of about 15,200 MW per year for 12th plan. Considering cost of thermal power generation to be ₹ 6 Cr/MW, investment in the sector is expected to be in the range of ₹ 4,56,000 Cr in the next five years, assuming a share for consultancy to the tune of 0.5%, the market for power consultancy amounts to ₹ 2,280 Crs in the next five years.

The players in power consultancy market includes major techno-commercial consultants with international experience and cross-sectoral experience, consultants focusing on end-to-end power consultancy services, consultancy firms looking at specific aspects of power consultancies such as law firms, coal consultancies, technical consultants, distribution related, regulatory consultants, IT implementation agencies, Energy Efficiency Advisory, M&A firms etc.

The consultancy options in power consultancy are broad and dependent on the sub-sector (generation, transmission and distribution). Your Company is looking for consultancy options in generation, transmission and distribution of power.

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

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 Nashik district. Both Amravati and Nashik Thermal Power Projects are being constructed in two phases each of 1350 MW.

Amravati Thermal Power Project :

The estimated cost of the Project is ₹ 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. IPL has tied up 1200 MW power through Case I competitive bidding process from this Project and has signed Power Purchase Agreement with Maharashtra State Electricity Distribution Company Limited at a levelised tariff of ₹ 3.26/KWh for supply of power for twenty five years. This year IPL successfully commissioned 1st Unit of 1350 MW Amravati Phase-I and the unit has been synchronized with the grid and achieved Full Load on 25th March, 2013. As per the power purchase agreement with MSEDCL, IPL was committed to begun supplies from April 2014. However, since IPL has managed to commission 1st unit of Amravati Phase-I ahead of its supply commitment under PPA, supplies under the power purchase agreement were preponed and accordingly the commercial operation of the Unit-1 has begun in June 2013. In addition, the efforts of IPL for obtaining Coal for this Project have finally fructified and FSA has been signed with SECL accordingly. Coal supplies from SECL has commenced in June 2013 under the executed FSA. Further, boiler light up of Unit-2 of Amravati Phase-I has been achieved.

Nashik Thermal Power Project :

1350 MW Nashik Thermal Power Project is being implemented by Indiabulls Realtech Limited (wholly owned subsidiary of IPL). The Project is estimated to cost ₹ 6,789 Crores with Debt: Equity ratio of 75:25 and financial closure has been achieved with Power Finance Corporation Limited as Lead Lender. Further, boiler light up of Unit-1 of Nashik Phase-I has been achieved.

GOM has approved purchase of 950 MW from Nashik Phase-I by Maharashtra State Electricity Distribution Company Limited (MSEDCL) and BEST. MERC has approved PPA for 650 MW with MSEDCL and PPA for 300 MW with BEST is expected shortly.

COMPETITIVE STRENGTHS

Your Company is mainly into power advisory / consultancy business and thus its competitive strengths are in-house experienced technical team having valuable practical experience of developing Mega Thermal Power Plants, bidding for long term power purchase agreements through tariff based competitive bidding process, who have been working closely with the state and central governments, and have 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.

Your Company has following competitive strengths position it to take advantage of the growth opportunities presented by the Indian power sector.

Skilled and experienced senior management team

Your Company's senior executives have extensive experience in the power industry and your Company is confident that the senior management's expertise will play a key role in the growth of your Company's business. In addition, the skills and diversity of senior management team give us flexibility to respond to changes in the business environment.

Highly educated professional staff with deep subject matter knowledge

Your Company has been successful in attracting and retaining experienced staff in various areas, including operations, project management, engineering and technology. Your Company is confident that leadership and in-depth subject matter knowledge of its professional staff coupled with its experience in technical, commercial, regulatory and financial sectors will make it a valuable resource to its clients and distinguish the your Company from its competitors. In addition, your Company's affiliates are engaged in the power business and employ more than 500 highly-skilled professional having more than 10 years of experience in the power sector.

Versatile advisory services practice

Your Company is confident that its advisory approach to consulting and understanding of its clients' requirements and objectives will give it a significant competitive advantage, permitting it to gain access to key client decision makers during the initial phases of their policy, program, project or initiative which the Company hopes to leverage into opportunities for other facets of its business.

Leverage on the experience of the Indiabulls Group

Your Company is part of the Indiabulls Group, one of India's leading business houses, with presence in the Indian power, financial services, real estate and infrastructure sectors. Your Company is confident that this provides a significant advantage, enabling it to leverage on synergies with other members of the Indiabulls Group and draw on the considerable expertise and resources that these entities have in the Indian energy and other sectors.

STRATEGY

Your Company firmly believes that presence of experienced management team, strong systems and process, dedicated, committed & motivated staff provides competitive advantages in managing its business activities.

The key components of your Company's strategy include:

Leverage the management team's experience

Your Company's management team possesses a breadth and depth of industry experience which will enable it to achieve its growth objectives. Your Company believes that the relationships with executive level management at utilities, regulators, vendors, technology leaders and investment professionals who are active in the utility space will serve your Company well as it will continue to execute its business strategy.

Grow the client base

Your Company will capitalize on the rapidly expanding power market in India and will grow its client base by expanding its geographic presence and the scope of services it provides. In addition, your Company will invest in development and marketing initiatives in order to strengthen its brand recognition among potential clients.

Strengthen end-to-end service offerings

Your Company will leverage its client and industry relationships in the future to increase its revenue from research, advisory and consulting services.

Leverage advisory work into implementation and full life-cycle solutions

Your Company will leverage its advisory services and client relationships to increase its future revenues from implementation of support services. Such services may include: information services and technology solutions, project and program management, business process solutions, strategic communications, and technical assistance and training.

Recruit more highly skilled and experienced staff

Your Company will recruit more highly skilled and experience staff to expand its operations and strengthen its competitiveness.

INTERNAL CONTROL SYSTEMS

The Company has a proper and adequate system of internal control commensurate with the size of the Company and the nature of its business to ensure that all its assets are safeguarded and protected and that all the transactions are authorised, recorded and reported correctly and adequately.

The Company's internal controls are supplemented by internal audits, review by management and documented policies, guidelines and procedures. The internal control is designed to ensure that financial and other records are reliable for preparing financial information and for maintaining accountability of assets. All financial and audit control systems are also reviewed by the Audit Committee of the Board of Directors of the Company.

CAUTIONARY STATEMENT

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

The Company cannot guarantee that the assumptions and expectations are accurate or will be realised and hence the actual results, performance or achievements could thus differ materially from those expressed in the statements. The Company assumes no responsibility nor is under any obligation to publicly amend, modify or revise any forward looking statement on the basis of any subsequent developments, information or events.

Directors' Report

Dear Shareholders,

Your Directors present to you their third Annual Report and the Audited Accounts of the Company for the financial year ended March 31, 2013.

FINANCIAL RESULTS

Particulars	(Amount in ₹)	
	For the year ended March 31, 2013	For the year ended March 31, 2012
(Loss)/Profit before Tax and Depreciation	(21,683,305)	(36,066,045)
Less: Depreciation	78,914	78,913
(Loss)/Profit before Tax	(21,762,219)	(36,144,958)
Less: Tax Expense	(185,162)	(1,424,817)
(Loss)/Profit after Tax	(21,577,057)	(34,720,141)
Add: Balance Bought Forward	(33,406,625)	1,313,516
Amount transferred to Reserves and Surplus	(54,983,682)	(33,406,625)

BUSINESS REVIEW

Consultancy in power market of the country can be classified based on the strategic intent and sector of implementation such as Generation, Transmission, Distribution, Renewable, Energy Efficiency, smart Grid etc. The capacity additions (conventional) envisaged during 12th plan would be 76,000 MW. This implies capacity addition requirement of about 15,200 MW per year for 12th plan. Considering cost of thermal power generation to be ₹ 6 Cr/MW, investment in the sector is expected to be in the range of ₹ 4,56,000 Cr in the next five years, assuming a share for consultancy to the tune of 0.5%, the market for power consultancy amounts to ₹ 2,280 Crs in the next five years. The players in power consultancy market includes major techno-commercial consultants with international experience and cross-sectoral experience, consultants focusing on end-to-end power consultancy services, consultancy firms looking at specific aspects of power consultancies such as law firms, coal consultancies, technical consultants, distribution related, regulatory consultants, IT implementation agencies, Energy Efficiency Advisory, M&A firms etc.

During the year under review, the Company has earned non operational income of ₹ 246.86 lacs. However, due to administrative & other expenses the Company has suffered a loss of ₹ 215.77 lacs. The consultancy options in power consultancy are broad and dependent on the sub-sector (generation, transmission and distribution). Your Company is looking for consultancy options in generation, transmission and distribution of power. The Company's major investment is in Indiabulls Power Limited. (IPL) which alongwith its subsidiary, is currently executing two coal based thermal power projects i.e. Amravati Thermal Power Project with an aggregate capacity of 5400 MW in the State of Maharashtra viz. 2700 MW project in Nandgaonpeth of Amravati district and another Nashik Thermal Power Project with an aggregate capacity of 2700 MW in Sinnar of Nashik district. Both Amravati and Nashik Thermal Power Projects are being constructed in two phases each of 1350 MW. Brief review of these projects is in the Management's Discussion and Analysis Report, which is forming part of this Annual Report.

LISTING OF GDRs OF THE COMPANY ON LUXEMBOURG STOCK EXCHANGE

8,554,235 Global Depository Receipts (GDRs) of the Company were listed on Luxembourg Stock Exchange on January 18, 2013.

DIVIDEND

In view of the losses incurred during the year under review, no dividend could be recommended for the year ended March 31, 2013.

PUBLIC DEPOSITS

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

DIRECTORS

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 and Article 121 of Articles of Association of the Company, Mr. Saurabh Kumar Mittal (DIN: 01175382) and Mr. Ram Kumar Sheokand (DIN: 00183200), Directors, retire by rotation and, being eligible offer themselves for reappointment at the ensuing Annual General Meeting.

Brief resume of Mr. Mittal and Mr. Sheokand, proposed to be reappointed, 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.

SUBSIDIARIES

There is no subsidiary of the Company. Consequent to the issue of additional share by Indiabulls Power Limited (IPL) pursuant to a scheme of arrangement of IPL, the holding of the Company in IPL got diluted to 44.84% and subsequently IPL and its subsidiaries ceased to be subsidiaries of the Company w.e.f. June 20, 2012.

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, 2013 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
4. the Directors have prepared the Annual Accounts of the Company on a 'going concern' basis.

AUDITORS & AUDITORS' REPORT

M/s Sharma Goel & Co., Chartered Accountants (Regn. No. 000643N), Auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for reappointment. The Company has received a certificate from the Auditors to the effect that their reappointment, if made would be in accordance with Section 224(1B) of the Companies Act, 1956. The Board recommends their re-appointment.

The Notes to the Accounts referred to in the Auditors' Report are self – explanatory and therefore do not call for any

further explanation.

LISTING WITH STOCK EXCHANGE

The shares of the Company continued to be listed on NSE and BSE and the GDRs of the Company are listed on Luxembourg Stock Exchange. The listing fees payable to the exchanges for the financial year 2013-2014 have been paid.

INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956

The information required to be disclosed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, is given in the Annexure and forms a part of this Report.

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees who are in receipt of the remuneration equal to or in excess of the limits specified under the said section, are required to be set out in the Annexure to the Directors' Report. However, during the year under review, the Company did not employ any person falling within the preview of section 217(2A) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Directors wish to express their gratitude for the continued assistance and support received from the investors, bankers, financial institutions and government authorities during the year. Your Directors also wish to place on record their deepest sense of appreciation for the efforts put in by the employees to place the Company on a path of growth and progress.

For and on behalf of the Board of Directors

Date : September 3, 2013
Place : New Delhi

Sameer Gehlaut
Chairman