

Indiabulls Infrastructure and Power Limited

Annual Report 2014



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Corporate Information

BOARD OF DIRECTORS

Mr. Rajiv Rattan
Mr. Saurabh Kumar Mittal
Mr. Ram Kumar Sheokand
Mr. Rajender Singh Malhan
Mr. Joginder Singh Kataria

COMPANY SECRETARY

Mr. R.K Agarwal

STATUTORY AUDITORS

Sharma Goel & Co. LLP
Chartered Accountants,
Y -59, 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.indiabullspower.com/ibipl

CORPORATE OFFICE

12th Floor, Tower A,
Building No. 5, DLF Phase 3,
DLF Cyber City,
Gurgaon - 122002

BANKERS

HDFC Bank Limited
Axis Bank
Yes Bank
Bank of India
State Bank of India

Management Discussion and Analysis

ECONOMIC OVERVIEW

The Indian economy stands at a critical juncture today with slowdown of growth and rising food inflation. A new stable government formed recently at Centre is expected to aim at reducing uncertainty and should increase the decisive policy action to address the economic challenges. The most important challenge for the new government would be to get growth back to higher sustainable levels, which would require a strong pick up in investments.

The recovery in global activity remains on track, despite some moderation owing to temporary factors. While underlying economic fundamentals are gradually strengthening in advanced economies, setting the stage for an acceleration of global growth, prospects in emerging markets are held back by structural impediments and geopolitical tensions. Global inflation and inflationary pressures remain subdued.

Domestically, real GDP growth continued to be modest in Q4 of 2013-14, with some strengthening of activity in services. Industrial activity continues to be a drag on the economy, with retrenchment in both consumption and investment, demand reflected in the contraction of output of consumer durables as well as capital goods. The outlook for the 2014 south-west monsoon appears uncertain. Sluggishness in industrial activity, exports and several categories of services underlines the need to revitalise productivity and competitiveness.

Growth concerns remain significant with GDP growth staying sub-5 per cent for many successive quarters and index of industrial production (IIP) growth stagnating for two successive years.



Mr. Rajiv Rattan
Chairman

INDUSTRY OVERVIEW

Energy is needed for economic growth, for improving the quality of life and for increasing opportunities for development and is the prime need of every economic sector viz. agriculture, industry, transport, commercial, and domestic etc. The broad vision behind India's integrated energy policy is to reliably meet the demand for energy services of all sectors including the lifeline energy needs of vulnerable households in all parts of the country with safe, clean and convenient energy at the least-cost.

Power generation companies are always in demand in India due to power deficit. The Indian power sector has made significant progress over the years. The installed capacity of the industry grew manifold from pre-independence era to present date. The sector has also undergone substantial structural changes. Regulatory policies such as Electricity Act 2003, Tariff policy etc have played a predominant role in changing the landscape of the Indian power sector. Though the sector has come a long way from its humble beginnings, it is still lagging on several fronts, such as power shortages, T&D losses, fuel shortages among others and has a long way to go.

These reforms had provided necessary impetus to increase private sector participation in power generation which resulted in increased growth of power advisory services, such as regulatory and policy advisory, bid advisory, project management consultancy, performance improvement and transaction advisory services. Because of the complexities in the power sector, companies require customized solution to tackle the strategic and market challenges and thus are seeking advisory services from consulting organizations having deep understanding and knowledge of power sector. Consulting firms help clients to understand the current market conditions, identify the issues, develop and implement appropriate strategies. They provide advisory services in energy covering coal, oil, gas and power to government as well as private sector clients. Consulting firms add value through indepth knowledge of the energy markets.

BUSINESS REVIEW

Consultancy services are a growing business in India and it includes Generation, Transmission, Distribution, Renewable, Energy Efficiency, smart Grid etc.

The advisory portfolio of major power consultancy firms includes

- Identifying Opportunities for setting up of Thermal/Wind/Solar/Biomass based power projects.
- Mergers and Acquisitions
- Fuel arrangements and procurement
- Decentralized Distributed Generation for power
- Consultancy Services for Sale, Purchase & Transaction management
- Regulatory & Policy Advisory
- IT implementation
- Energy efficiency advisory

During the year under review, the Company has earned non-operational income of Rs. 300.39 lacs and the profit after tax was Rs. 38.46 lacs. Your Company is looking for consultancy options in generation, transmission and distribution of power. We understand the dynamics of these areas and our goal is to maintain effective relationships with stakeholders by using the extensive knowledge to benefit our clients.

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 (1350 MW Phase-I):

The Project is in full swing with 2 Units (Unit1&2) having successfully commissioned and supplying Power to MSEDCL. These Units have already supplied 1057.76 Million Units (MU) to MSEDCL during FY 2013-14 against 1200 MW long term PPA. The remaining Units 3 to 5 are also nearing completion and shall be commissioned progressively by March, 2015.

The coal linkage for this Project has been tied up and FSA has been signed with SECL for 5.49 MTPA coal. The BTG (Boiler, Turbine & Generator) and BoP (Balance of Plant) works of the remaining Units 3 to 5 are in advanced stage of completion. The Boiler Drum of all Units has been lifted, Boiler Light-Up has been achieved in Unit 3 and the Turbine is ready for rolling. In Unit 4, Boiler Hydro Test has been completed and Turbine erection completed. In Unit 5, Boiler & Turbine erection is in advanced stage. The Balance of Plant (BoP) is also in progress in tandem with BTG of respective Units. The dedicated 400 KV Transmission line from Amravati to Akola is nearly completed; presently power evacuation is being carried out through Line-In Line-Out (LILO) of existing Akola-Koradi line. The dedicated Railway Siding is also expected to be completed for hauling coal directly to the Plant through Railway rakes.

There has been a marginal increase in estimated cost of Project from Rs. 6,888 Cr to Rs.7,749.48 Cr mainly due to increase in cost of Railway Siding including land cost, higher cost of inputs, fuel costs etc. and Interest during construction (IDC). The revised cost has been approved by Lenders.

Amravati Thermal Power Project (1350 MW Phase-II)

The Amravati Project capacity is being augmented by 5 additional Units of 270 MW each in Phase-II (Units 6 to 10). The Phase-II is located adjacent to Phase-I within the existing 1350 Acre land and both phases shall share common infrastructural facilities. The cost of Phase-II is estimated at Rs.6,646 Crores. The financial closure has been achieved with IDBI Bank Limited as Facility Agent/Underwriter and REC has also joined hands in this venture.

M/s Tata Consulting Engineers (TCE), Bangalore and M/s TPSC (I) Pvt. Limited, Hyderabad are the Owner's Consultants. All Statutory & Non Statutory Clearances/Approvals have been obtained including Environmental Clearance, Coal linkage and water allocation. The Unit configuration of 5x270 MW is identical to Phase-I with BTG from Bharat Heavy Electrical Limited (BHEL) and Balance of Plant from other reputed vendors. The civil foundations & structural works of BTG / BoP area and Boiler erection works have been taken up.

Nashik Thermal Power Project (1350 MW Phase-I):

The project is in advance stage of construction; Unit 1 has been successfully commissioned on 29th Mar, 2014 and Unit 2 is ready for commissioning in 3rd quarter of FY 2014-15. The company has signed FSA for this Project with MCL & SECL. Government of Maharashtra has approved purchase of 950 MW from Nashik Phase-I by Maharashtra State Electricity Distribution Company Limited (MSEDCL) and BEST. MERC has approved purchase of 650 MW from Nashik Phase-I by MSEDCL and PPA for 300 MW with BEST is expected shortly. The 400 KV Transmission Line from Nashik TPP to Babhaleshwar Substation has been completed for evacuation of power from this Project. The Project cost has been revised from the original estimate of Rs. 6789 Cr to Rs. 7849 Cr due to increase in cost of Railway Siding including land, higher cost of inputs, IDC etc and it has been approved by the Lenders.

The Boiler & Turbine-Generator (BTG) for Unit 2 are ready for commissioning. Milestone activities of Boiler Light-Up and Steam Blowing have been completed, TG is ready for rolling. The BTG activities for Units 3 to 5 are also in various stages of completion and are targeted for commissioning progressively by end of FY 2015-16.

Nashik Thermal Power Project (1350 MW Phase II):

The capacity of Nashik Project is also being augmented to 2700 MW by adding 5 Units of 270 MW each in Phase-II (i.e. 1350 MW for Phase-I and 1350 MW for Phase-II). The Project is estimated to cost Rs 6,515 Crores as it will share infrastructural facilities of Phase-I. The Project is being funded by consortium with REC as lead lender and other Financial Institutions / Bankers viz. ICICI Bank, PFC and PTC India Financial Services Ltd (PFS).

M/s Tata Consulting Engineers (TCE), Bangalore and M/s TPSC (I) Pvt. Limited, Hyderabad are the Owner's Consultants. All Statutory Clearances / Approvals are available including Environment clearance of MoE&F; Water Agreement with Irrigation Department, Maharashtra etc. The Main Plant Equipment is of BHEL make and the BoP packages are being sourced from other reputed vendors. The civil works of BTG & BoP have been taken up and Boiler erection started in 2 Units.

COMPETITIVE STRENGTHS

Your company understands the market dynamics and therefore cater to clients with its extensive knowledge in areas of Generation, Transmission and distribution. Our advisory services are redefining power sector in India. Your company's vast pool of technically qualified and managerial manpower is well supported by excellent infrastructure and knowledge management facilities to deliver the client qualitative and cost effective solution in a time bound manner, meeting the global standards. Your Company's major competitive strengths are strong and experienced technical team with vast experience of developing Mega Thermal Power Plants and bidding for long term power purchase agreements through tariff based competitive bidding process. Our technical team has profound understanding of the regulatory framework of Indian Power sector. Your 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 which will enable it to take advantage of growth opportunities in Indian power sector.

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 experienced team.

Your Company has recruited experts from various areas such as operations, project management, engineering and technology and has indepth knowledge of their areas. This is a valuable resource to its clients and distinguishes 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.

Strategy

Your Company firmly believes that the most important aspect of competitive advantage is presence of experienced management team, strong systems and process, dedicated, committed & motivated staff managing its business activities.

The key components of your Company's strategy include:

Grow the client base.

Your Company has strategy in place to increase the client base in the rapidly expanding power market in India. The company will expand its geographic presence and the range of services. Your Company will enhance its brand recognition through marketing initiatives in order to strengthen its position among potential clients.

Leverage the management team's experience.

Your Company's management team is highly skilled and has vast experience in power sector which will enable us to achieve our growth objectives. The management team is well connected to executive level management at utilities, regulators, vendors, technology leaders and investment professionals which would help us to grow our client base

Strong end-to-end service offerings.

Your Company will offer end to end and customized service which would enable us to increase 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. Your company has in place a work policy and culture which not only satisfies the intellectual facet of the employees but also compensates them monetarily

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 the Fourth Annual Report together with the audited statement of accounts of the Company for the financial year ended March 31, 2014.

FINANCIAL RESULTS

The summary of the financial results of the Company for the financial year ended March 31, 2014, is as under-

Particulars	(Amount in ₹)	
	Year ended March 31, 2014	Year ended March 31, 2013
Profit/(Loss) before Tax and Depreciation	8,236,756	(21,683,305)
Less: Depreciation	78,914	78,914
Profit/(Loss) before Tax	8,157,842	(21,762,219)
Less: Tax Expense	4,311,478	(185,162)
Profit/(Loss) after Tax	3,846,364	(21,577,057)
Add: Balance Bought Forward	(54,983,682)	(33,406,625)
Amount transferred to Reserves and Surplus	(51,137,318)	(54,983,682)

BUSINESS REVIEW

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DIVIDEND

In view of insufficient non-operational profits during the period under review, no dividend could be recommended for the period ended March 31, 2014.

PUBLIC DEPOSITS

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

DIRECTORS

Mr. Sameer Gehlaut (DIN: 00060783) has resigned from the Chairmanship and Directorship of the Company with effect from 9th July 2014. Mr. Rajiv Rattan an existing director assumed the Chairmanship of the Company and its Board with effect from the said date.

The Board thanked Mr. Gehlaut for the contributions made by him during his tenure as member of the Board of the Company.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Saurabh Kumar Mittal (DIN: 01175382) retires by rotation at the ensuing Annual General Meeting of the Company and being eligible offers himself for reappointment. The Board of Directors recommends his re-appointment.

Mrs. Anjali Nashier (DIN: 01942221) is proposed to be appointed as a Director of the Company, liable to retire by rotation.

The Board of Directors of the Company (the Board) has proposed the appointment of Mr. Yashish Dahiya (DIN:00706336), Mr. Debashis Gupta (DIN: 02774388), Mr. Sanjiv Chhikara (DIN: 06966429) and Mr. Narayanasany Jeevagan (DIN: 02393291), as Independent Directors of the Company, for a period of 5 (five) years, effective from the date of their appointment. Keeping in view their vast experience & knowledge, the Board is of the view that it will be in the interest of the Company that they are appointed as Independent Directors on its Board. Upon the approval of the shareholders to their appointment, as Independent Directors, the appointment of Mr. Yashish Dahiya, Mr. Debashis Gupta, Mr. Sanjiv Chhikara and Mr. Narayanasany Jeevagan as such, shall be formalized by the Board by issuing letters of appointment to them.

Brief resume of the Directors proposed to be appointed / 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 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.

CORPORATE SOCIAL RESPONSIBILITY

During the year, your directors have constituted the Corporate Social Responsibility Committee comprising Mr. Joginder Singh Kataria as the Chairman and Mr. Ram Kumar Sheokand and Mr. Rajender Singh Malhan as other members.

The said Committee has been entrusted with the responsibility of formulating and recommending to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, monitoring the implementation of the framework of the CSR Policy and recommending the amount to be spent on CSR activities.

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 (to the extent applicable) and the Companies Act, 2013 (to the extent applicable) 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, 2014 and the profits 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. LLP, 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 141(3)(g) of the Companies Act, 2013. 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.

GREEN INITIATIVES

Electronic copies of the Annual Report 2014 and Notice of the 4th AGM are sent to all the members whose email addresses are registered with the Company / Depository Participant(s). For members who have not registered their email addresses, physical copies of the Annual Report 2014 and Notice of the 4th AGM are sent in the permitted mode. Members requiring physical copies can send a request to the Company Secretary.

The Company is providing e-voting facility to all members to enable them to cast their votes electronically on all resolutions set forth in the Notice. This is pursuant to section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014. The instructions for e-voting are provided in the Notice.

LISTING WITH STOCK EXCHANGES

The equity shares of the Company continue to remain listed with the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE). The listing fees payable to the exchanges for the financial year 2014-2015 has been paid to the said Stock Exchanges. The Global Depository Receipts of the Company continue to be listed on the Luxembourg Stock Exchange.

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 (to the extent applicable) and the provisions of Companies Act, 2013 (to the extent applicable), 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 continuous 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 deep 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 5, 2014
Place : New Delhi

Sd/-
Rajiv Rattan
Chairman