



POWER GRID CORPORATION OF INDIA LTD.

ANNUAL REPORT 2005-06



ANNUAL REPORT - 2005-06



POWER GRID CORPORATION OF INDIA LTD.

Registered Office : B-9, Qutub Institutional Area, Katwaria Sarai, New Delhi-110016

Corporate Office : 'Saudamini', Plot No. 2, Sector-29, Gurgaon, Haryana-121001

Website : www.powergridindia.com

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Integrated Management Policy

POWERGRID is committed to :

- ❖ Establish and maintain an efficient and effective "National Grid" with due regard to time, cost, technology and value additions,
- ❖ Sustainable development through conservation of natural resources and adopting environment friendly technology on principle of Avoidance, Minimization and Mitigation,
- ❖ Ensure safe, occupational hazard free and healthy work environment, to the satisfaction of stakeholders in all areas of its activities and shall endeavor to continually improve its management systems and practices in conformity to legal and regulatory provisions.

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Mission

Establishment and Operation of Regional and National Power Grids to facilitate transfer of power within and across the regions with reliability, security and economy, on sound commercial principles.

Objectives

The Corporation has set following objectives in line with its mission and its status as **"Central Transmission Utility"** :

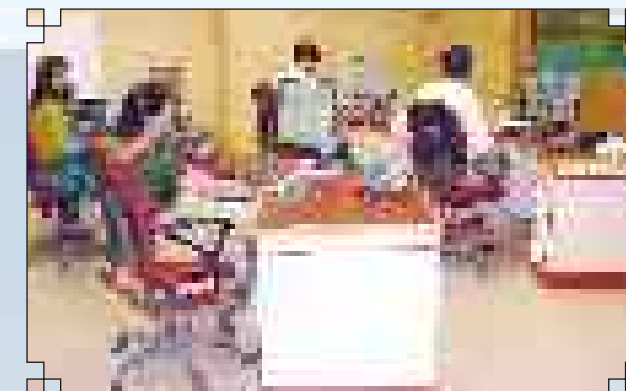
- ❖ Undertake transmission of energy through Inter-State Transmission System.
- ❖ Discharge all functions of planning and coordination relating to Inter-State Transmission System. with-
 - (i) State Transmission Utilities;
 - (ii) Central Government;
 - (iii) State Government;
 - (iv) Generating Companies;
 - (v) Regional Electricity Boards;
 - (vi) Authority;
 - (vii) Licensees;
 - (viii) Transmission Licensees;
 - (ix) Any other person notified by the Central Government on this behalf.
- ❖ Exercise supervision and control over the Inter-State Transmission System.
- ❖ Efficient Operation and Maintenance of Transmission Systems.
- ❖ Establish / augment and operate all Regional Load Despatch Centres and Communication facilities.
- ❖ To facilitate private sector participation on Transmission system through Independent Private Transmission Company, Joint Ventures.
- ❖ To assist various SEBs and other utilities in upgradation of skills & sharing of expertise by organising regular conferences, tailor-made training workshops directed towards specific technological and O&M areas and extending laboratory facilities for testing purposes etc.
- ❖ Restoring power in quickest possible time in the event of any natural disasters like super-cyclone, flood etc. through deployment of Emergency Restoration Systems.
- ❖ To provide consultancy services at national and international levels in transmission sector based on the in-house expertise developed by the organisation.
- ❖ To participate in long distance Trunk Telecommunication business ventures.

PowerTel

Touching lives everywhere

Diversified into telecommunication to mobilise additional resources to establish much needed National Grid.

- ❖ To establish Broadband Telecom Network of 20,000 kms connecting over 60 cities on extensively spread Transmission Infrastructure.
- ❖ Only utility in the country having overhead optic fibre on its Extra High Voltage Transmission Network.
- ❖ POWERGRID Telecom Network
 - Sturdy & Secure
 - Free from rodent menace and vandalism.
- ❖ Network has multiple self resilient rings for complete redundancy in backbone as well as intra-city access networks.
- ❖ To offer Total Solutions and to meet specific needs of the customers.
- ❖ Reliability of Telecom Network 99.99%
- ❖ Bandwidth capacity available on all the metros & major cities.
 - Delhi, Mumbai, Chennai, Kolkata
 - Jammu, Jalandhar, Shimla, Guwahati, Shillong, Imphal, Kohima, Hyderabad, Bangalore,

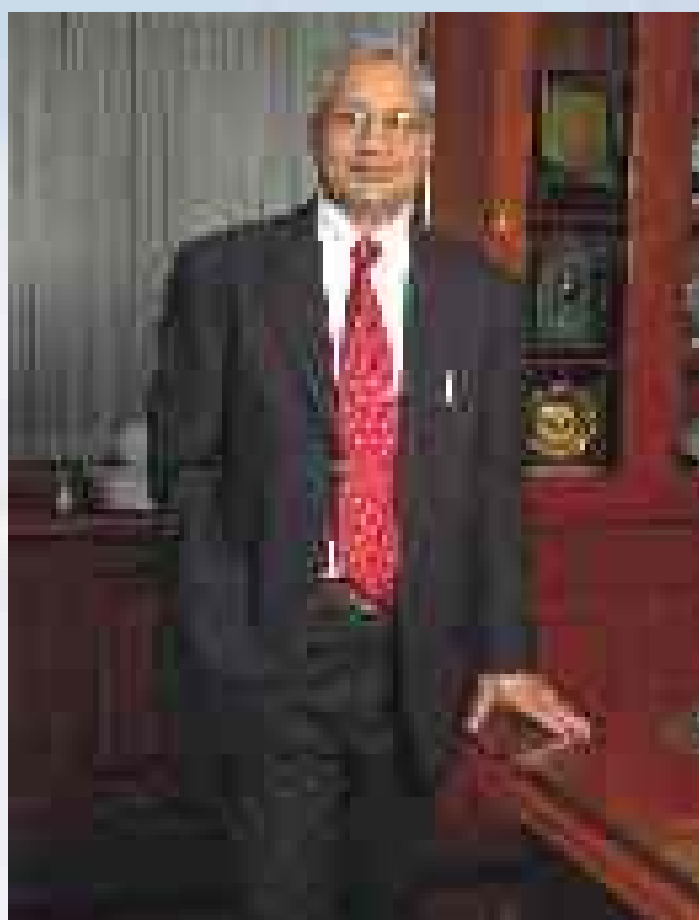


Cochin, Ahmedabad, Indore, Jaipur, Lucknow, Chandigarh, Varanasi, Jameshpur, Patna, Bhubneshwar etc.

- ❖ Extended telecom network to serve uneconomic and backward areas for the benefit of the common man.
- ❖ Plan to extend network to neighbouring countries for terrestrial SAARC Telecom Grid.
- ❖ Possess Infrastructure Provider-I (IP-I), NLD Licence & ISP Category - "A" Licence to provide telecom services in the country.
- ❖ Plan to introduce other Value Added Services.
 - Video Conferencing
 - Virtual Local Area Network (VLANs)
 - Multi Protocol Label Switching (MPLS) based VPNs Data Centres.
 - Voice Over Internet Protocol (VOIP)



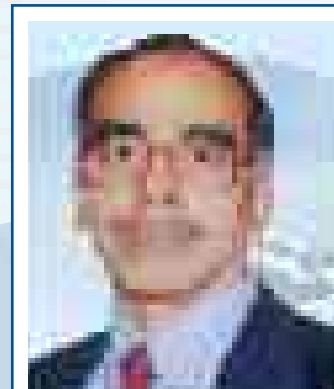
Board of Directors



Dr. R. P. Singh

Chairman & Managing Director
Since 23.08.1997

Building an Organisation in totality
is the key to success



Shri U.C. Misra

Director (Personnel)
Since 01.08.2002



Shri J. Haque

Director (Operations)
Since 16.09.2004



Shri S. Majumdar

Director (Projects)
Since 27.09.2005



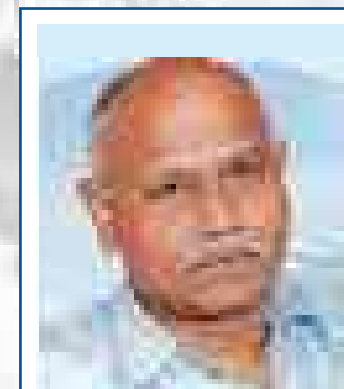
Shri J. Sridharan

Director (Finance)
Since 21.12.2005



Shri G. B. Pradhan

Jt. Secretary (MOP), Govt. Director
Since 27.11.2003



Shri M. Sahoo

JS & FA (MOP), Govt. Director
Since 22.07.2002

Ms. Divya Tandon
Company Secretary

M/s. O. P. Bagla & Co.
8/12 Kalkaji Extension
New Delhi - 110 019

M/s. B. M. Chatrath & Co.
India Steamship House,
25, Old Court House Street, Kolkata - 700 001

M/s. Nataraja Iyer & Co.
1 - 10 - 126, Ashok Nagar,
Hyderabad - 500 020

Registered Office : B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi - 110 016
Corporate Office : "Saudamini", Plot No.2, Sector 29, Gurgaon - 122 001 (HARYANA)

Bankers

• Indian Overseas Bank • ICICI Bank • Union Bank of India • Bank of Baroda • State Bank of Hyderabad • State Bank of Travancore
• State Bank of India • State Bank of Patiala • Central Bank of India • Corporation Bank • Canara Bank • Oriental Bank of Commerce • Syndicate Bank
• Dena Bank • Punjab National Bank • Vijaya Bank • Indian Bank • Citi Bank • J & K Bank • IDBI Bank • DA Afghanistan Bank.

Chairman Speaks

at the 17th Annual General Meeting
held at New Delhi on 3rd August, 2006.



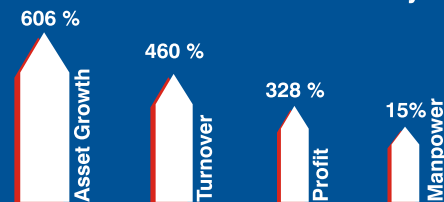
Dear Colleagues,

India has begun to dream and dream big. We aspire to be a developed country by the year 2020, as outlined by our Hon'ble President Dr. APJ Abdul Kalam. Electricity is the key to a country's progress. Without adequate power, its seamless transmission and distribution across industry and to domestic consumers in every corner, no country can regard itself as 'developed'. I am proud to say that your company is totally in sync with this vision; it has emerged as a major partner in India's journey into the league of the world's topmost nations.

We measure our commitment not only in terms of revenues generated or profit earned, both of which are crucial, but also the human dedication to this goal. It is that personal and social commitment, shared by the entire staff and management of POWERGRID, which has enabled us to attain the heights that we have scaled in recent years.

With both a sense of humility and pride, I wish to share with you that your Company's innovative approach to focus on organizational building has started paying rich dividends, making your company truly unique. This year, your Company has earned a profit of Rs.1009 Crore, the first time we have entered four figures and I am confident that we will reach around Rs.1500 Crore next year. It has been recently reported by one of the merchant bankers that your Company, in terms of profitability, is number one; and in terms of size and power carrying capacity, it is ranked No. 3 & 4, respectively internationally. This is logical, as our country's size and power requirement is less than that of USA & China.

Growth of POWERGRID in last 13 years



Friends, I would like to remind you of the Mission of your Company which reads as under:

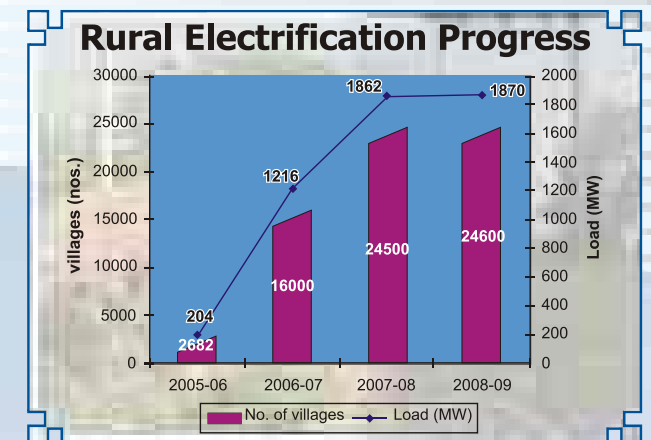
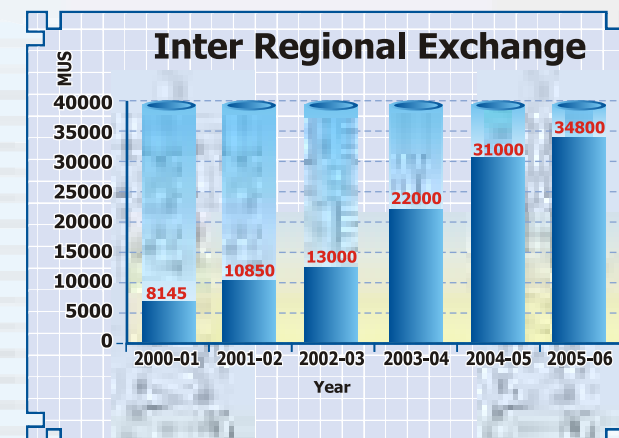
"Establishment and operation of Regional and National Power Grids to facilitate transfer of Electric power within and across the regions with Reliability, Security and Economy on sound commercial principles."

Thus, POWERGRID endeavors to supply quality power with economy which is the crux of performance of the power sector and the basic route for economic development of the country. We, at POWERGRID, realised right from the beginning that building an organization is the key to success. Thus, as I mentioned earlier, our efforts in this direction have paid us rich dividends as we are widely recognized as capable of delivering services of the highest order.

Profit is an important element in any organisation which sustains growth through internal resource generation, but is not the only end. Profit is like oxygen, food, water and blood for the body; they are not the point of life but without them, there is no life.

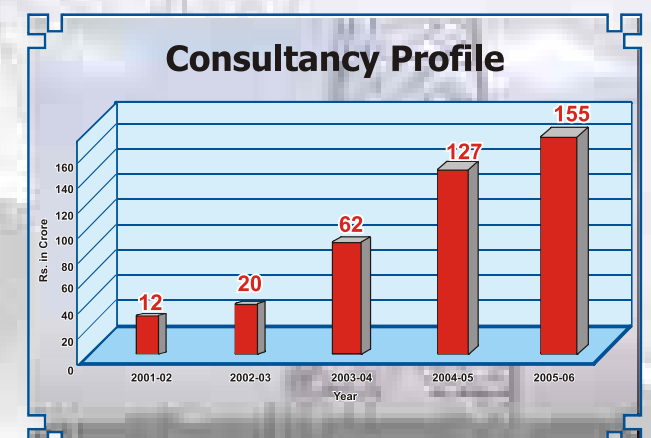
The point, in fact, in managing an organization is to see that the organisation wins. The ultimate judge is the customer and if he is satisfied you can be justifiably proud. There is symmetry of logic in this. If we provide real satisfaction to our customers, we will be profitable.

I can share with pride the customer satisfaction which we have provided by way of facilitating inter-regional power transfer of about 34,800 MUs last year, saving Rs. 1,750 Crore by way of making cheaper power available, enhanced grid stability, almost negligible grid disturbances and deferment of Rs. 27,000 Crore



of investment in setting up 6,000 MW spinning reserves which indirectly accounts for Rs. 2,000 Crore of saving per year. Equally importantly, your Company has brought electricity to 2,682 villages last year, which is about 27 % of the national target.

Your Company is also helping in reconstruction of the transmission system of war torn Afghanistan, besides turnkey consultancy from concept to



commissioning and thereafter, Operation & Maintenance of Sub-transmission, APDRP & Rural Electrification assets of various States, as well as consultancy assignments in Nepal, Bhutan etc. Our OPGW network is being expanded on customer need basis as well as taking into account the tariff growth. It is certain that in this business we will have quantum jump in the coming years on account of our excellent connectivity coupled with excellent availability and services. I reiterate our growing interest in this business to acquire a leadership position as in transmission and load management.

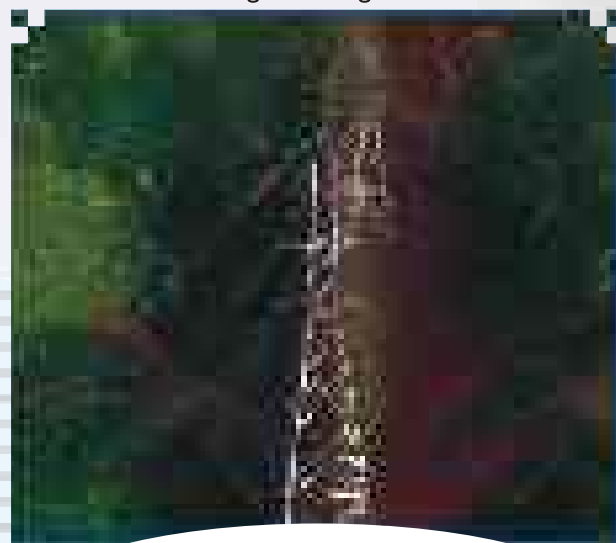
I would also like to share with you that being a public sector organization, we have not only to recruit &

train our personnel and deploy them, but we also have to empower them especially in the area of project execution. In this direction, a number of Policies & Procedures documents, were adopted in the year 1998. These documents, based on our past experience, are now under revision. Adoption of these documents has made the company a professional and performing organisation.

We believe in decentralized organization but a centralized strategy. This has developed a strong work culture where every single employee of the Company derives a sense of pride, commitment and achievement at work.

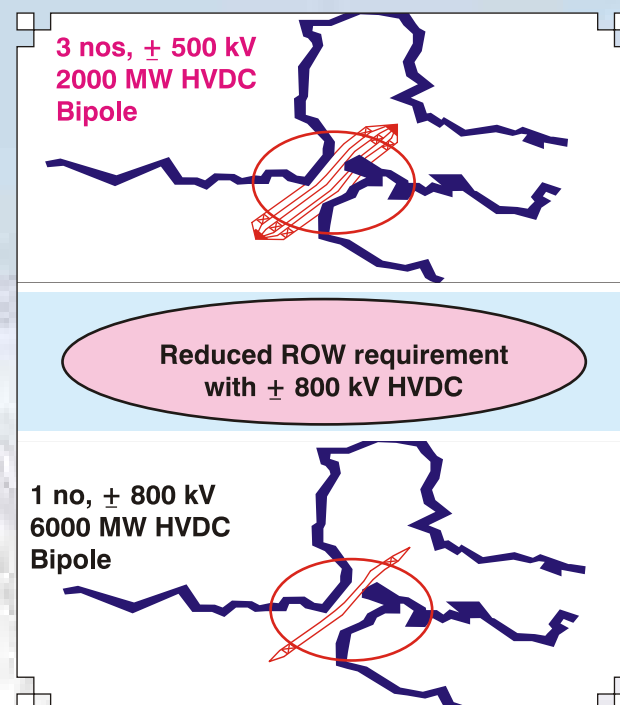
The growing demand for power required for accelerated economic growth shall require POWERGRID to expand its operations manifold. To meet these requirements, your Company has adopted a three-pronged strategy:

- To mitigate Right-of-Way (ROW) problem and to protect the environment, which is a serious concern the world over and particularly, for a populous country like ours, your Company has decided to go in for uprating and upgrading of existing transmission lines, multi-circuit Extra High Voltage transmission lines, Extra high & narrow towers, and even pole type structures at places near load centres and generating stations.



220 kV S/C Chukha-Birpara line upgraded with 400/220 kV multi-circuit line in Jaldapara Sanctuary without felling of a single tree

- To facilitate bulk transfer of power, we have adopted super voltage transmission system like 800 kV AC and ± 800 kV DC. POWERGRID has been internationally first to initiate the super voltage highways of ± 800 kV DC to evacuate hydro power from North Eastern Region to other parts of the country.



- We encourage private investment in transmission as it helps in the task of Nation building. In coming years, a huge investment to the tune of Rs. 58,000 Crore by the Year 2012 and Rs. 6,75,000 Crore by 2030 shall be required to develop transmission network of POWERGRID to meet the requirement of growth in power sector. Such huge investments cannot be met solely by POWERGRID through its internal resources. It is appropriate to mention that Tala Transmission System which was taken up as the first project under Joint Venture route, is progressing satisfactorily and is likely to be commissioned by end of this month. Many JVs with IPPs to evacuate their power are in pipeline. In order to encourage private sector investment in transmission lines, we have invited bids for two major packages of the Western Region Strengthening Scheme.



On Grid Management front, I am proud to share with you that there has been no major grid disturbance this year as well and your Company has the unique distinction of maintaining a disturbance free grid for last four years. As far as minor grid disturbances are concerned, this year, there was only one. The growing complexity of the Grid calls for focussed attention on development of Intelligent Grid with state-of-the-art features like Wide Area Management,

Voltage Stability Assessment (VSA) technique etc.; which are being planned and we are in dialogue with other international players.

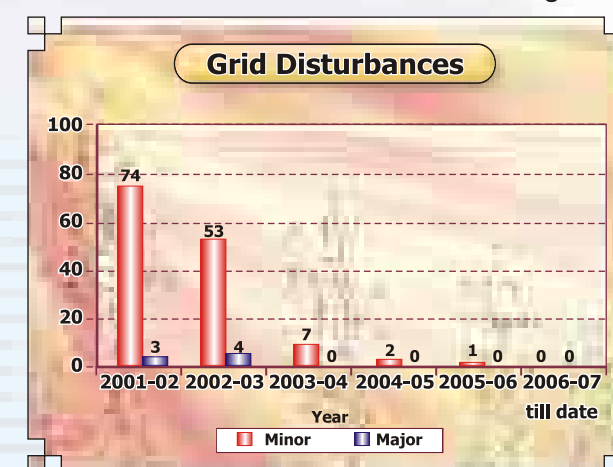
In the end, I would like to thank my fellow Board members and the Government agencies particularly Ministry of Power, Ministry of Finance, Planning Commission, Ministry of Environment and Forests, the Central Electricity Authority and Central Electricity Regulatory Commission for their guidance and support. I am also thankful to the State Government agencies, State Utilities and domestic & multilateral funding agencies, such as World Bank, Asian Development Bank, etc. for their wholehearted support and guidance. My special thanks to my dear colleagues in POWERGRID.

(R. P. SINGH)

Chairman & Managing Director

Place : New Delhi

Date : 3rd August, 2006



Adoptive Islanding, Self Healing Grids, Probabilistic Assessment, Dynamic Stability Assessment and

Directors' Report

for the 17th Annual General Meeting
held on 3rd August, 2006.

To,

The Members.

Ladies & Gentlemen,

It is my privilege to present on behalf of the Board of Directors, the 17th Annual Report of Power Grid Corporation of India Limited (POWERGRID), together with the Audited Statements of Accounts for the financial year 2005-06. Your Company has once again displayed its impeccable performance during the year in all areas of its operations and has established new benchmarks.

FINANCIAL RESULTS

	(Rs. Crore)	
	2005-06	2004-05
Turnover	3554.31	2831.28
Gross Margin	2942.37	2341.20
Less:		
Depreciation	744.33	642.26
Prior period Adjustment	72.74	(27.43)
Deferred Revenue		
Expenses written off	8.86	9.31
PBIT	2116.44	1717.06
PBT	1168.99	908.37
PAT	1008.93	785.52
Profit Brought Forward	31.90	38.31
APPROPRIATIONS		
Transfer to Bonds		
Redemption Reserve (Net)	120.91	265.42
Interim Dividend	87.23	88.00
Proposed Dividend	215.45	96.00
Tax on Dividend	12.23	11.82
Provision for Dividend Tax	30.21	13.46
Transfer to General Reserve	500.00	300.00
Transfer to Self Insurance		
Reserve	20.17	17.23

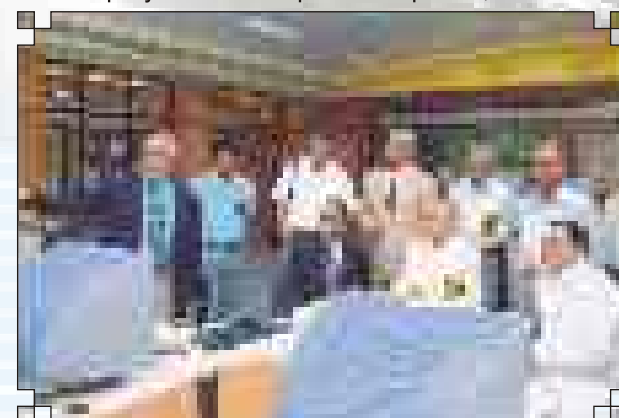
OPERATIONAL EXCELLENCE

Over a decade of excellent business operations, POWERGRID developed strong in-house expertise in all specialised areas of power transmission business with systems upto 800 kV Ultra High Voltage AC, \pm 500 kV HVDC, Gas Insulated Sub-stations, Static Var Compensation, Series Capacitors, Flexible AC Transmission System (FACTS), Controlled Shunt Reactors, etc. At the end of financial year 2005-06, POWERGRID is operating around **55,121 circuit kms** of Extra High Voltage transmission lines with **93 Nos** of EHVAC & HVDC sub-stations having transformation capacity of about **54,377 MVA**. POWERGRID's network carries about **45%** of total power generated in the country.

System availability has been maintained at about **99.64%** during the year 2005-06 through deployment of modern Operation & Maintenance techniques at par with International standards. Moderate rate of outages per line (3.52) were recorded during the year 2005-06.

EFFICIENT GRID MANAGEMENT

Adoption of prudent operational practices, preventive maintenance, Availability Based Tariff (ABT), modernization of RLDCs coupled with training and deployment of expert manpower, round the



Inauguration of WRLDC by
the Hon'ble Union Minister of Power

clock vigil for grid management have paid rich dividends resulting into enhanced grid discipline, improved grid security, safety & reliability, enhanced inter-State and inter-regional power exchange, thus, meeting higher demands from existing generating capacity.

During FY 2005-06, inter-regional energy transfer of about **34,800 MU** was facilitated using various inter-



Green view of Meerut Sub-Station

regional links, an increase of about 12% compared to previous year (i.e. 30,763 MU). Growth of inter-regional power exchange has helped in meeting more demand in energy deficit regions and is also helping in achieving an overall economy in the country. Such an inter-regional transfer of power has helped the constituents of exporting region by way of reduction in fixed generation charges and benefited importing region by mitigating their power shortages.

Further, due to proactive approach adopted for Grid Management, there has been no major grid disturbance in any part of the country **during last 3½ years**. In fact, tripping of lines and minor grid disturbances in regional grids have come down so significantly as to be reckoned as a benchmark achievement.

Further, there has been significant improvement in vital grid parameters and Frequency remained within the prescribed Indian Electricity Grid Code (IEGC) band for most of the period during the year 2005-06, signifying improvement in quality of power supply.

PROVIDING OPEN ACCESS

Open access in inter-State transmission was notified by Central Electricity Regulatory Commission since May 06, 2004 and was subsequently revised on April 01, 2005. POWERGRID, as grid operator and the

CTU, issued revised procedures and guidelines including e-bidding for short-term customers to facilitate non-discriminatory open access. More than 3900 transactions were approved during the year 2005-06 involving about 22,500 MUs under short term open access compared to 778 number of transactions involving 16,441 MUs of energy during 2004-05. This marks an increase of more than four times in number of transactions and 37% increase in energy.

In addition, energy worth about Rs. 5,170 Crore has been transacted (both inter and intra regional) through un-scheduled interchanges (UI) mechanism of ABT during 2005-06 as compared to Rs. 4,627 Crore during financial year 2004-05, thus registering an increase of over 10% during the year.

PROJECT IMPLEMENTATION

POWERGRID continued to implement its projects with economy and within stipulated time frame to derive maximum economic benefits. Adoption of Integrated Project Management and Control Systems (IPMCS) for total project review, processing of procurement activity in parallel with investment approval process etc. have contributed significantly towards timely implementation of projects.



Launch of work of Ballia-Bhiwadi HVDC by
the Hon'ble Prime Minister

During FY 2005-06, POWERGRID commissioned about **4,368 Ckt. Kms.** of transmission lines, **8 new sub-stations** and transformation capacity of **4,985 MVA**. These additions in POWERGRID's network have helped in improving power supply situation in various regional grids, facilitating enhanced inter-regional power transfer capacity and improved reliability in overall system. Major projects put under commercial operation during the year include:

❖ Rihand-II system (part); Rihand-Allahabad-

Mainpuri-Ballabgarh 400 kV D/C transmission line along with new sub-stations at Mainpuri, Kaithal and Patiala has been commissioned progressively from June, 2005 to December, 2005 against the schedule of December, 2005.



View of the Dhauliganga Transmission Line

- ❖ Dhauliganga Transmission system; 400 kV D/C line from Dhauliganga to Bareilly, charged at 220 kV, commissioned in Aug'05 inspite of several problems faced during execution like holding up of work in the portion of line passing through Ascot Wild life sanctuary area, tough terrain & difficult weather conditions etc.
- ❖ 400 kV D/C Raipur-Bhadravati Transmission System has been commissioned in June'05, well ahead of the schedule of December, 2005.
- ❖ Balance elements of Transmission System associated with Tarapur 3 & 4 were commissioned progressively by August, 2005, within the approved schedule.
- ❖ Unified Load Despatch & Communication (ULDC) schemes in Eastern and Western Regions have been declared under commercial operation w.e.f 01.09.2005 and 01.02.2006 respectively during the year after successful completion of stringent site installation and availability tests. These projects envisage State-of-the-art features contemplated for real time monitoring, supervision and control of power system as well as optimal utilization of generation & transmission resources.
- ❖ 400 kV D/C Madurai-Thiruvananthapuram transmission line commissioned in Aug.'05.

- ❖ 400 kV D/C Kaiga-Narendra transmission line commissioned in Nov.'05.
- ❖ 400 kV Tala (Indian Border) Siliguri Line-I commissioned in Oct.'05.

During the year, **17 new projects** worth about **Rs. 9,300 Crore**, involving **8,500 Ckt Kms** of transmission lines, **12 new sub-stations** and transformation capacity of about **13,000 MVA**, were approved and taken up for implementation. In total, **43 transmission projects**, costing about **Rs. 21,325 Crore**, are currently under implementation and most of the projects are progressing either ahead or on schedule.

In addition, Feasibility Reports for **six (06)** transmission schemes, with a total investment of about **Rs. 8,770 Crore** (involving **12,100 ckms** of 765/400/220/132 kV transmission lines and **5 new sub-stations** with transformation capacity of **1,890 MVA**) were under different stages of investment approval.

Major ongoing projects include :

- ❖ **Generation Linked:** Transmission System associated with Tehri-I (750 MW), Dulhasti (390 MW), Tala HEP (1020 MW), Sipat-I (1980 MW), Vindhyachal-III (1000 MW), Sipat-II (1000 MW),



Control Room at Thiruvantapuram

Kahalgaoon Stage-II Phase-I (1000 MW), Kahalgaoon Stage-II Phase-II (500 MW), Neyveli-II Exp. (500 MW), Kaiga 3&4 (470 MW), Kudankulam APP (2000 MW), RAPP 5&6 (440 MW), Barh (1980 MW), etc.

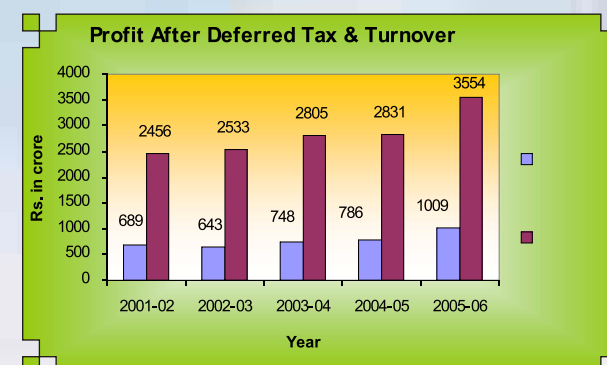
- ❖ **Grid Strengthening Schemes:** System Strengthening Scheme in NR & ER, NR System Strengthening Scheme - I, NR System Strengthening Scheme - II, NR System Strengthening Scheme - III, System

Strengthening Scheme-III of Southern Region Grid, Vindhyachal-Korba, Bina-Nagda, WRSS-I, WRSS-III, WRSS-IV, etc.

- ❖ **Load Despatch & Communication scheme:** National Load Despatch & Communication (NLDC) scheme, to ensure smooth transfer of power between the regions and synchronous operation of National Grid, is planned to be established by 2008-09.

FINANCIAL MANAGEMENT

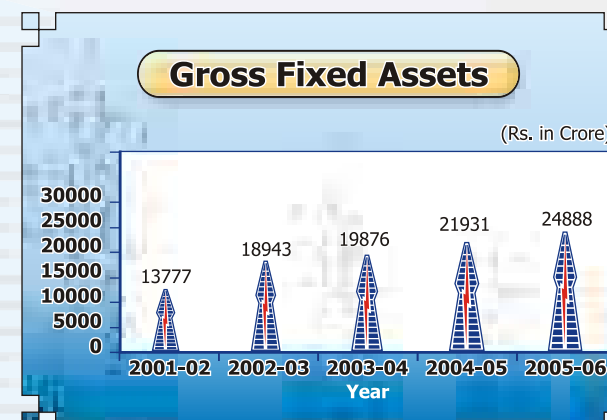
Company has exhibited a spectacular growth on financial front during 2005-06 achieving a turnover of **Rs. 3,554 Crore** and Net Profit of **Rs. 1,009 Crore** as compared to Rs. 2,831 Crore and Rs. 786 Crore,



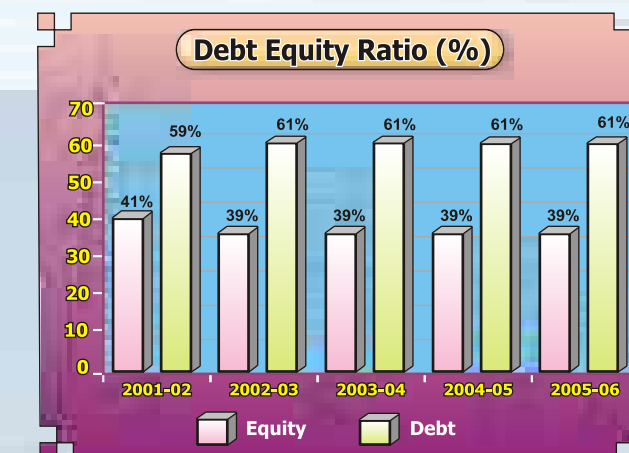
respectively during FY 2004-05, an increase of more than 25% in turnover and more than 28% in profit.

Gross Asset base of the Company has been enhanced to about **Rs. 24,888 Crore** in 2005-06 from **Rs. 21,931 Crore** in 2004-05.

Due to prudent financial practices, the Internal Resources anticipated for the X Plan Period is **Rs. 5,109 Crore** as against **Rs. 2,938 Crore** envisaged in the beginning of the Plan. POWERGRID has already mobilized more than **Rs. 4,000 Crore** till FY 2005-06.



To remain a financially progressive organisation in emerging market conditions, POWERGRID is taking



all possible steps to improve its financial strength. These include taking up other kind of synergic business ventures such as diversification in telecom sector, consultancy assignments at national and International level in transmission, telecom and distribution sectors.

Dividend

Interim dividend to the tune of Rs. 87.23 Crore has been paid in the month of March, 2006 and the Directors have recommended a final dividend of Rs. 302.68 Crore for the Financial Year 2005-06 including the interim dividend.



Presentation of the Dividend Cheque to the Hon'ble Union Minister of Power

Transfer of Profit to Reserves

Appropriation of profit towards General Reserve amounting to Rs. 500 Crore, Rs. 120.91 Crore (net of Rs. 105.06 Crore written-back) towards Bonds Redemption Reserve and Rs. 20.17 Crore towards Self Insurance Reserve has been proposed.

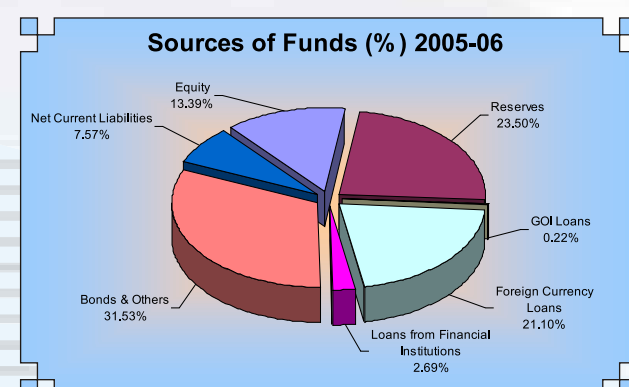
Directors' Responsibility Statement

As required u/s 217 (AA) of the Companies Act, 1956, your Directors confirm that:

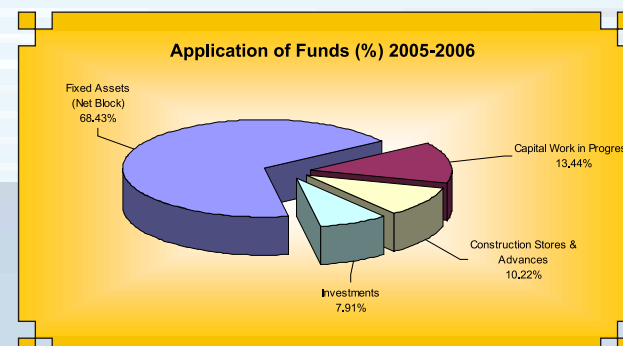
- ❖ In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- ❖ The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.
- ❖ The Directors had taken proper and sufficient care in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- ❖ The Directors had prepared the Annual Accounts on a going concern basis.

FUND MOBILISATION

During the FY 2005-06, Company undertook capital investment of **Rs. 4,111 Crore**, an increase of about Rs. 900 Crore (i.e. 27%) compared to Rs. 3,221 Crore in FY 2004-05. For new capital investment, POWERGRID mobilized Rs. 1,999 Crore from domestic market through bonds at very competitive rates. NBS of Rs. 419.38 Crore was received during the year. The balance requirement was met through loans from multilateral funding agencies and internal



resources of the Company. The credit rating agencies CRISIL and ICRA have assigned AAA (highest safety) and LAAA for our bonds issue aggregating to Rs. 1,999 Crore during FY 2005-06.



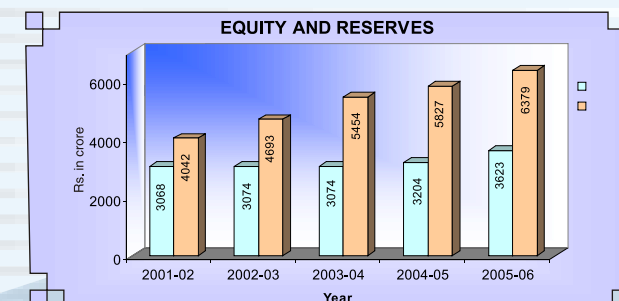
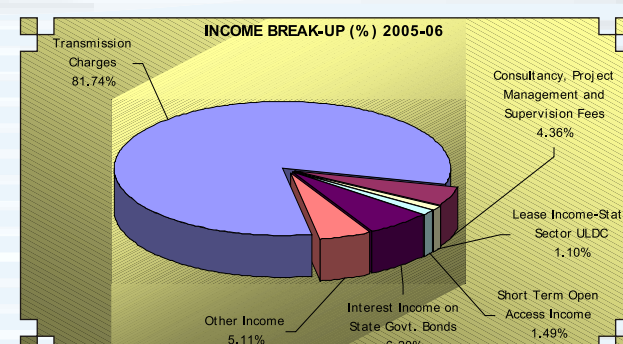
Further, process of mobilization of foreign loans worth about US\$ 1,000 million each from The World Bank and ADB were taken up with them to fund various transmission projects in future. As a part of this, POWERGRID negotiated a loan of US\$ 400 million from Asian Development Bank (ADB) and loan became effective from January, 2006. Similarly, loan agreements for new loan assistance of US \$ 400 million from The World Bank has been negotiated in November, 2005.

COMMERCIAL PERFORMANCE

POWERGRID realized 100% of its dues during the year 2005-06 also. Current realisation of **Rs. 3017 Crore** and outstanding dues amounting to **Rs. 215 Crore** were recovered during the year.

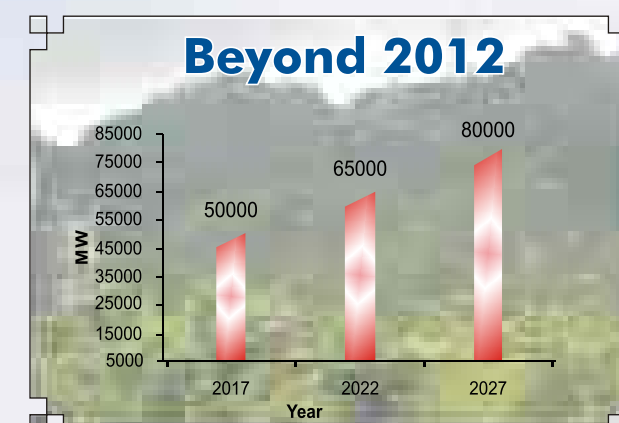
Post-securitisation outstanding as on 31-3-2006 stands at **Rs. 7 Crore** (including surcharge of **Rs. 2 Crore**). The entire outstanding is against Manipur which is being recovered in monthly instalments of **Rs. 1.26 Crore** by Ministry of Finance under TPA provisions.

There has been appreciable improvement in LC coverage of **Rs. 251 Crore** as compared to previous year's figure of Rs. 245 Crore. Such LC coverage is equivalent to **99%** of average monthly billing as on date vis-à-vis 95% last year. Jharkhand, Nagaland, Mizoram and Manipur States have opened LC for the first time during this year and also Assam & Tripura States enhanced their LC as per requirement.



TOWARDS NATIONAL GRID

POWERGRID had planned to create a strong National Power Grid in a phased manner to ensure optimum utilization of generating resources, conservation of eco-sensitive Right of Way and for having flexibility to accommodate uncertainty of generation plans. Towards this, POWERGRID has identified and is implementing various transmission projects matching with generation capacity addition in the country, in line with the vision of power sector i.e. 'Power to all by 2012'.



Presently, inter-regional power transfer capacity of 9,500 MW is in place which is planned to be enhanced to more than **39,000 MW by 2011-12 as against earlier planned target of 30,000 MW**. Broadly speaking, **this would lead to reduction in capacity addition by more than 15000 MW thus saving the national investment of more than Rs. 60,000 Crore.**

HARNESSING NEW TECHNOLOGY

For sustained growth, it is important to absorb the latest technologies suitably into the development plan to ensure maximum utilization of existing transmission infrastructure along with creating new transmission capacities in a cost effective manner.

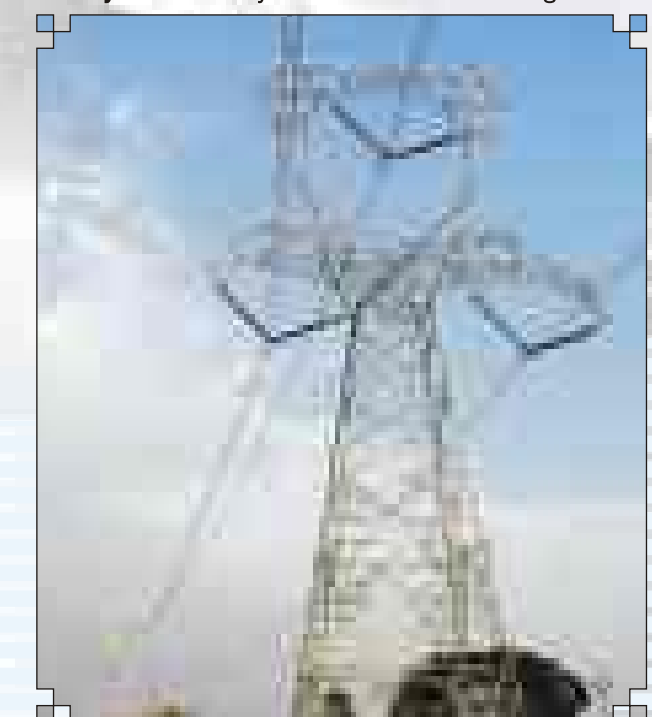
POWERGRID has adopted two-pronged approach in introduction of new technologies like **continuous**

update of technology in existing transmission system and adoption of latest technological developments suiting to Indian condition in new projects with the objectives of reliability, economy, time optimization in project execution, Right-of-Way optimization etc. In addition, POWERGRID is also contemplating development of Smart Power Delivery System as pilot project for monitoring the state of the grid dynamically. These technological initiatives have been briefly described below:

- Technologies for existing transmission infrastructure:** To ensure maximum utilization of existing infrastructure, technologies already adopted include **Fixed Series Compensation (FSC)/ Thyristor Controlled Series Capacitor (TCSC) on 400 kV lines, Upgradation of lower voltage line to higher voltage lines, Augmentation of line capacity by re-conductoring with high temperature endurance conductor, etc.**

Application of these technologies has helped in enhanced power carrying capacity of lines by 40-50% depending upon the degree of compensation, reduction in Right-of-Way requirement and enhanced thermal capacity of the conductor by 1.5/2-times over conventional ACSR with minimum cost.

- Technology Adoption for New Transmission System:** Many State-of-Art technologies are



Technology Innovation-Delta Tower

being implemented for augmenting the power carrying capacity of new transmission systems. The most important among these is ± 800 kV, 6000 MW HVDC Bi-pole line from North Eastern Region to Northern Region (Agra), which would be the highest operating DC voltage (± 800 kV)



View of HVDC Valve

having largest power carrying capacity (6000 MW) and transferring power over more than 2000 kms, first of its kind in the world. This line would be constructed with 6 bundle conductor so as to minimize the transmission losses including corona effects. In addition, high capacity multi-conductor 400 kV & 765 kV AC system, modern line route survey techniques, enhancement of maximum permissible conductor temperature, compact towers, sub-station compaction & automation, High Surge Impedance Loading (HSIL) lines etc. are also being adopted for maximizing the power carrying capacity of the transmission system.

Through adoption of these technologies, the requirement of Right-of-Way and land has been curtailed, thus, safeguarding precious eco-sensitive zones.

- c. **Development of Smart Power Delivery System:** After completion of Transmission System associated with Tala HEP, East-North Interconnector and Northern Region Transmission System, Northern Region shall be interconnected with ER/WR/NER grid in synchronous mode. This shall lead to synchronous operation of a single area of about 87,000 MW Capacity. By the end of Xth / early

XIth Plan, size of this area would further increase to more than 1,00,000 MW capacity which shall lead to complexity in operation of such a large system. Therefore, it is necessary to monitor the state of the grid dynamically to maintain security, reliability, quality & availability of power supply.

An intelligent grid system such as Wide Area Monitoring System (WAMS) needs to be implemented which will automatically anticipate on real-time basis and respond to power system disturbances quickly while continually optimizing system performance.

POWERGRID is contemplating to take up pilot project for certain critical area before it is implemented countrywide. This would support utilities in making optimal usage of the transmission grid capacity and in preventing the spreading of disturbances. By providing on-line information on stability and safety margins for dynamic condition monitoring, it would serve as an early warning system in case of potential power system disturbances.

DIVERSIFICATION INTO TELECOM

POWERGRID diversified into Telecom to utilize spare telecommunication capacity of its Unified Load Dispatch Centre (ULDC) schemes, leveraging its country wide transmission infrastructure. The road map of establishing backbone telecom network



View of the Telecom Centre

included installation of about 20,000 Kms connecting about 60 cities including all metros, major towns and cities, rural/ un-served areas. Out of this, more than **19,000 Kms. of Telecom Network has already been installed; connectivity has been provided to all metros, major cities & towns** like, Delhi, Chandigarh, Jammu & Kashmir, Jaipur, Lucknow, Mumbai, Ahmedabad, Pune, Hyderabad, Bangalore, Chennai, State capitals in North-Eastern Region, etc. Balance network is expected to be commissioned shortly.

Presently, POWERGRID is one of the few telecom players with a marked presence in difficult areas like North Eastern Region, J&K, Himachal Pradesh etc. and is providing highly reliable service to customers. POWERGRID is serving almost all the major telecom players in mobile & NLDO segment and has also tapped customers in entertainment and broadcasting industry. POWERGRID is making aggressive marketing efforts to tap business from Banking sector, Corporate sector, Government sector (Central/ State) for E-governance, etc. A JV of RailTel, GailTel & POWERGRID is in the formation stage.

Telecom Business is looking up as planned, inspite of stiff competition. POWERGRID has achieved a Turnover of more than Rs. 37.00 Crore for the FY 2005-06, implying an increase of about 41% over last year. This has been achieved despite the fact that there has been a downfall in the prices of bandwidth.

PUBLIC-PRIVATE PARTNERSHIP

POWERGRID is playing a lead role in attracting private investment in transmission sector through formation of Joint Ventures (JV). First Public-Private Joint Venture was established by POWERGRID in Indian Power Sector with M/s Tata Power for implementation of Transmission System associated

with Tala HEP. Project is presently under advance stage of implementation and expected to be completed in 2006.

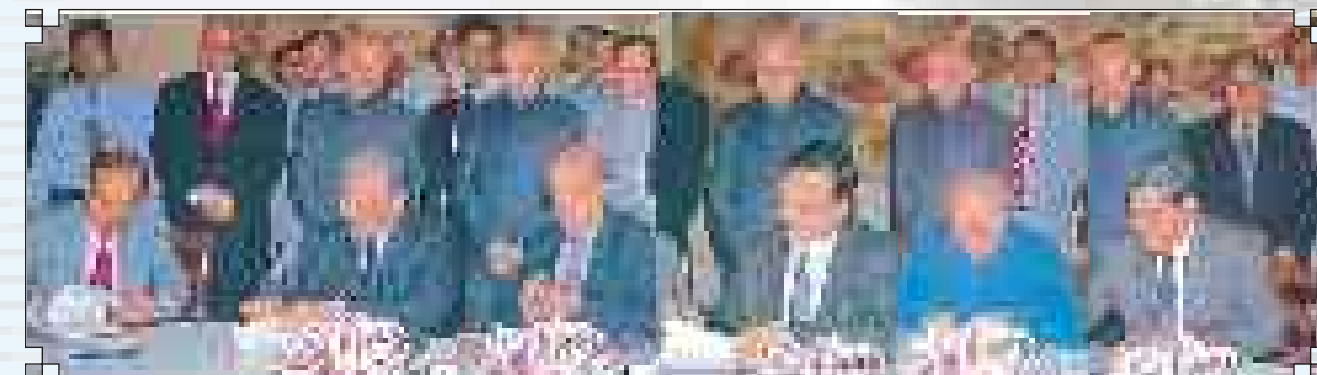
The transmission system associated with Koldam & Parbati-II is the second project proposed to be executed on JV route. The total estimated cost of the project is Rs. 660 Crore. All agreements related to formation of JV have been finalized and are expected to be signed shortly. POWERGRID's equity in this project shall be 26% and balance 74% will be of Joint Venture partner.

In addition, POWERGRID's Board has decided to form Joint Ventures with interested private power producers for establishing their dedicated transmission system, who otherwise, as per Electricity Act, 2003, could have taken up construction of the same on their own. POWERGRID has already signed five MoUs in the presence of Hon'ble Union Minister of Power in New Delhi on 23.03.2006 at a total cost of about Rs. 3,700 Crore for following projects to establish Joint Venture Companies.

- ❖ 740 MW gas based combined cycle power project at Pallatana, Tripura (IL&FS / ONGC)
- ❖ 1500 MW gas based power plant at Hazira, Gujarat (Essar Power)
- ❖ 1200 MW Teesta-III Hydro Electric Project in Sikkim (TEESTA Urja)
- ❖ 1000 MW Karcham-Wangtoo Hydro Project (Jaiprakash)
- ❖ 1100 MW generation project at Surat (Torrent Power)

POWERGRID will invest 26% equity in such Joint Ventures, with majority stake from the private players.

The success achieved by POWERGRID towards



MoUs signing ceremony in august presence of the Hon'ble Union Minister of Power

mobilising private investment in transmission is a matter of pride not only for POWERGRID but for the country as a whole.

Project on IPTC route

Besides this, actions for implementation of transmission lines under Western Region Strengthening Scheme (WRSS) (Part) through 100% private sector participation (IPTC route) are also underway.

Initially, this project involving various transmission lines and sub-stations was envisaged to be taken up through two JVs. Subsequently, the project was broken up into four sets (A, B, C & D), based on the advice of CEA and WREB. Sub-stations were proposed to be taken up by POWERGRID on its own. In the process of deciding the issue of grant of transmission licence to a private player, CERC decided that two sets (A & D) be taken up by POWERGRID on its own or through JV route and other two sets (B & C) be offered for 100% private participation. Accordingly, transmission lines covered under sets B & C shall be implemented with 100 % private participation, while transmission lines under sets A & D shall be implemented by POWERGRID as its own project.

POWERGRID had taken up the approval of Process & Procedures for 100% private participation for Project B & C with CERC, as directed by them and approval was granted on 22.09.05. Thereafter, POWERGRID commenced the process of selection of private participants for taking up the Project (B & C) on IPTC route through 100% private sector participation. IPTC(s) are likely to be in place by August/ September, 2007.

In addition to above, Misa-Byrnihat Transmission System is envisaged to be implemented in public-public partnership with Meghalaya State Electricity Board (MeSEB) on Joint Venture route. POWERGRID has signed an Agreement with MeSEB on 08/09/2005 to implement the transmission system on JV route. Project Agreements for formation of JV have been finalized with MeSEB and is expected to be signed shortly. Estimated cost of the project is Rs.143.59 Crore. POWERGRID shall contribute 89% equity and balance 11% equity shall be contributed by MeSEB. The transmission project is planned to be commissioned within 30 months from the 'zero date'.

FACILITATING DISTRIBUTION SECTOR REFORMS

POWERGRID is playing a significant role in carrying forward the distribution reforms through centrally sponsored Accelerated Power Development & Reforms Programme (APDRP) and Rajeev Gandhi Grameen Vidyutikaran Yojna (RGGVY) in various parts of the country.

Accelerated Power Development & Reforms Programme (APDRP)

Govt. of India has earmarked more than Rs. 20,000 Crore for the Xth Five year Plan towards investment window of APDRP. Under this scheme, POWERGRID is acting as Advisor-cum-Consultant (AcC) to lend its managerial and technical expertise for improvement of distribution system and their financial performance in 182 distribution circles/ towns/ schemes spread over 18 States costing about **Rs. 7,820 Crore**.

Further, POWERGRID is also executing APDRP schemes of about **Rs. 1,076 Crore** on behalf of States such as Bihar, Goa, Meghalaya, Uttar Pradesh, Tripura and Gujarat on deposit work basis under bilateral arrangement.

On the recommendation of POWERGRID, projects



Sub Distribution System Switch Yard

worth more than Rs. 7,900 Crore have been approved by Ministry of Power till 31st March, 2006, which are under different stages of implementation. These schemes once implemented are expected to bring qualitative change in the functioning of distribution sector in the country.



A villager proudly displaying his power link

Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

POWERGRID has entered into a quadripartite agreement with Rural Electrification Corporation (REC), State Government and State Power utility, for undertaking rural electrification works under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). Under this, POWERGRID has been assigned the job for execution of rural electrification in 9 States namely Bihar, Uttar Pradesh, West Bengal, Rajasthan, Gujarat, Orissa, Chhattisgarh, Assam and Tripura involving approx. 87,300 villages of 68 Districts. These works are estimated to cost **Rs. 9,400 Crore**.

In 2005-06, POWERGRID successfully electrified total 2682 nos. villages of Bihar, Uttar Pradesh and West Bengal, against a target of 2625 villages. Further, awards for 18128 nos. of villages at an estimated cost of Rs. 1708 Crore were placed during FY 2005-06.

Sincere and dedicated efforts put in by POWERGRID towards implementing APDRP and RE works would serve greatly towards revival of the power sector.

Sub-transmission

Besides above, POWERGRID has undertaken implementation of sub-transmission works of Rs. 550 Crore on bilateral basis in Bihar under Phase-I of Strengthening Scheme which is nearing completion. Phase-II, Part-I of the Scheme has been approved recently at an estimated cost of Rs. 629 Crore. Phase-II, Part-II of the scheme is under finalisation.

E-GOVERNANCE

POWERGRID is a very IT savvy Corporation and uses IT enabled services extensively in all spheres of its

activities, be it Planning, Design, Project Management, Finance, QA & I, HR or Grid Management. POWERGRID is utilizing IT for 'automating' its offices for more productive and knowledge based work environment, creating a culture of information sharing as well as improved decision making. It may be noted that POWERGRID, has the distinction of being first among the power utilities in the country, to implement State-of-the-Art Video Conferencing facility at its Corporate and Regional Offices, which is extensively utilised to organize virtual meetings. Ministry of Power has entrusted POWERGRID with the responsibility of Technical Consultancy and project co-ordination for establishment of Video Conferencing Facility for Ministry and its constituent organizations and undertakings.

Major IT applications developed/implemented during the year include:

- ❖ Deployment of Enterprise wide Voice over IP System covering Corporate Center, RHQs and RLDCs - 1200 Calls per day.
- ❖ In-house Development of Web based On-line Recruitment System for Fixed-term Engineers, IT Engineers and new ET Batch facilitating efficient selection process.
- ❖ New Intranet site 'POWERPORTAL' designed for Knowledge management, Content management for Engineering, Online training management and many more applications by deploying Share Point Portal Server as Active Directory integrated system.
- ❖ Project Life Cycle Information System designed on POWERPORTAL. This aims at capturing project information right after Standing Committee approval to Design to Packaging to Award to Progress Monitoring to Exception handling through Issue Database to Contract Closing to its commercial operation.
- ❖ On-line Employee Property Return System Vigilance.

Other major projects being developed include, Commencement of National Power Monitoring Centre at Ministry of Power for comprehensive MIS of Power Sector, Broad band on Power line project with Ministry of Communication & IT, Tender Information Publication on Gol Guideline, WAN Project for Ministry of Defence, etc.

BUSINESS DEVELOPMENT

POWERGRID has been trying effectively to showcase business development activity within India and abroad, with the expertise and varied experience in all areas of its business such as Transmission Lines, Sub-stations, Load Despatch Centres, Telecom, Distribution, Rural Electrification and Sub-transmission.

During the year, Consultancy Fee of about **Rs. 155 Crore** was realized by POWERGRID compared to Rs. 127 Crore realized during the year 2004-05.

Major overseas consultancy assignments secured by POWERGRID during the year include:

- (a) POWERGRID has taken up implementation of a 220 kV transmission system to import power from Pul-e-Khumri to Kabul in Afghanistan along with 220/110/20kV Substation at Kabul on turn key basis at a cost of Rs. 416.30 Crore. This challenging assignment is being carried out at



Hon'ble Afghan Minister with POWERGRID Officials at Kabul Pul-e-Khumri Transmission Line

altitudes ranging from 1800m to 4000m MSL and at temperatures as low as - 30 °C and has to be completed within 42 Months. Construction of Transmission Line shall enable Afghanistan to import power from generating stations located in Uzbekistan via Pul-e-Khumri to Kabul in Afghanistan to bridge the gap of around 100-200 MW between demand and supply, in quickest possible time. In fact, foundation work of 220 KV D/C Kabul to Pul-e-Khumri Transmission Line started on 06.03.2006 in presence of Hon'ble Minister of Energy and Water, Govt. of Islamic Republic of Afghanistan, Indian Ambassador at

Kabul, Provincial Governors of Afghanistan and POWERGRID officials.

- (b) POWERGRID has secured an overseas consultancy assignment from Nepal Electricity

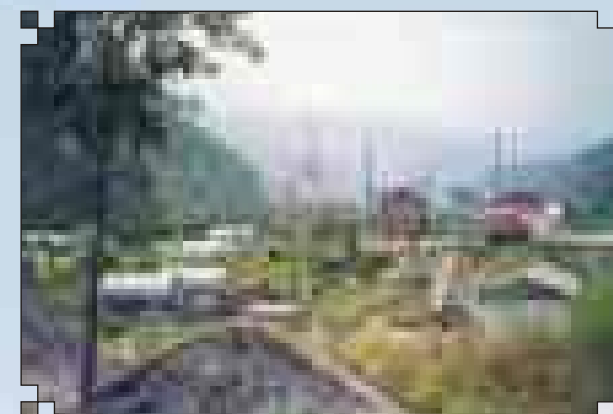


Tower Erection site in Afghanistan

Authority (NEA), for construction of first 220 kV D/C Transmission Line in Nepal from Khimti to Dhalkebar (75 kms). The estimated Project cost is US \$ 22 Million and is being funded by World Bank. The total Consultancy fee is about Rs. 100 lacs and is being funded by Nepal Electricity Authority. The consultancy assignment has been secured against a stiff competition with inter-national reputed consultants from Germany, Japan, Australia, and UK. The Agreement with NEA was signed on 14.07.05. This Project will improve reliability of Power evacuation from existing Khimti Hydro Power station, improve quality of supply in eastern region of Nepal and provide ample transmission capacity for future proposed generation such as Upper Tamakoshi Hydro Project. The scope of Consultancy includes assistance to NEA in transmission line planning, design, preparation of specifications and tender documents, bid evaluation and contract negotiations, design check, construction supervision, quality assurance, contract management and transfer of knowledge.

- (c) On the request of Royal Government of Bhutan, Government of India has agreed to finance construction of a 132 kV Single Circuit transmission line (60 kms.) from Deothang in Bhutan to Rangia in Assam alongwith associated bays, to provide adequate transmission arrangement for reliable operation of Kurichhu HEP (Bhutan). Bhutan Power Corporation (BPC) on the behalf of Royal Government of Bhutan has

appointed POWERGRID, as the consultant to execute this work from concept to commissioning. The Agreement in this regard with BPC was signed on 19th July, 2005. The scope of Consultancy inter-alia includes Design, Engineering, Preparation of specifications and tender documents, Bid evaluation, Award, Contract management, Construction



View of Khimti Sub-Station

supervision, Quality assurance & Inspection, Testing and Commissioning of the Project. The estimated cost of the Project including POWERGRID consultancy fee is Rs. 2285 Lacs.

In addition, Bhutan Electricity Authority has placed an order on POWERGRID for providing Consultancy Services for development of Grid and Distribution Code in Bhutan. POWERGRID's consultancy fee is Rs.13.5 lacs.

- (d) Ministry of Energy & Water, Islamic Republic of Afghanistan has placed an order on POWERGRID for providing Engg. services for procurement of OPGW for Pul-e-Khumri-Chimtal line in Afghanistan. POWERGRID's consultancy fee is Rs. 179.85 lacs.

On the domestic front, POWERGRID has received more than 40 Consultancy Assignments during the year (2005-06) with the total order booking exceeding Rs. 185 Crore in Consultancy Fee and Rs. 1270 Crore in Project Cost. The Consultancy assignments received from various Private and State Owned Power Generating Companies and State Electricity Boards includes areas ranging from system studies, preparation of DPR, review of engineering and training to Turnkey Execution of Substation and Transmission Line Projects as well as APDRP, Rural Electrification Works, implementation of Intra-State Availability Based Tariff and preparation of Distribution Code & Codes for the States.

POWERGRID is all set to get the Inspection and Certification assignment from **ASCON** (Army Static Switched Communication Network) for their communication towers of different heights at eight sites located in border areas. This would be the first major Inspection & Certification of Communication Towers package awarded to POWERGRID in the Defence Sector till date. Incidentally, POWERGRID has also submitted bid for Agriculture consultancy for establishment of Terminal Market Complex for perishables. The bids are under evaluation. With this, POWERGRID would diversify in other areas and add value to POWERGRID for future works.

POWERGRID has been technically shortlisted for various assignments in Countries like Cambodia, Afghanistan, Bhutan, Nepal, Ethiopia, and has submitted Expression of Interest in various countries like Vietnam, Kenya, Afghanistan, China and Bangladesh, Nigeria, Kazakhstan etc.

MANAGEMENT OF ENVIRONMENTAL AND SOCIAL ISSUES

Creating Sustainable Corporate Values

POWERGRID believes that good corporate governance must also translate into being a responsible corporate citizen. Integrity, fairness and transparency across its operations are the focal points of POWERGRID's working culture. POWERGRID emphasizes its commitment to a strong value system and corporate governance practices, by making this an integral part of its



Reaping green links

business operations. Over the last 17 years of its existence, POWERGRID has remained committed to being ethical, sincere and open in its dealings with all its stakeholders. It has enabled the Company to build an organization that is trusted by various stakeholders in all respects.

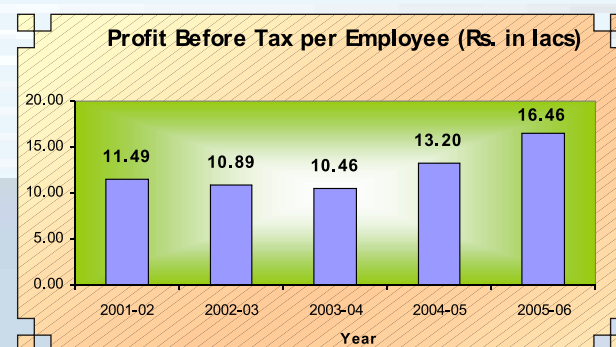
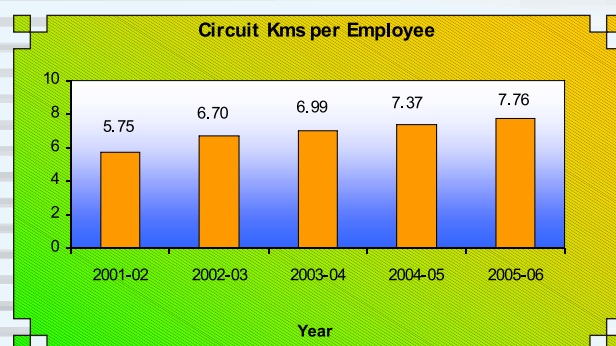
Sustainability of its corporate values is proven by the fact that they are in consonance with values cherished by the society. Objectives of the Company are in alignment with requirements of its stakeholders. End results of such value system are witnessed in all-round performance of the Company, which has surpassed the targets. The Company continues to make conscious efforts not only for sustaining such value-system but also for inculcating desirable values.

Nurturing human capital to achieve excellence

POWERGRID believes that its human resource consisting of about 7,000 employees is the most important asset and accordingly, its policies are focused on development of human potential through skill upgradation, career enhancement and job rotation to achieve organizational objectives. An effective work culture has been established in the organization through empowerment, transparency, decentralization and innovative practice of participative management through 'Open House' interaction.

POWERGRID's higher productivity is demonstrated by the increase in manpower ratio of Ckt Km. per employee from 3.93 Ckt. Kms in the year 1992-93 to 7.76 Ckts Kms during 2005-06. Commendable success achieved in this area relates to the fact that an annual asset growth rate of 46% could be achieved against meagre manpower growth of only 1.2% and substantially enhanced ratio of profit per employee from **Rs. 4.2 lakhs in FY 1992-93** to **Rs. 14.20 Lakhs in FY 2005-06**.

Employee Relations in POWERGRID continued to be cordial and harmonious during the year. Workshops for employee representatives from various establishments were held at the apex level as well as regional level to sensitize them to changing business scenario, the opportunities, threats and challenges



facing the Company in the dynamics of prevalent business environment and to reiterate their significant role in synergizing the potential of the human resource the sole differentiating factor of competitive advantage in today's knowledge economy.

During the year, the Company has designed and executed business aligned management development, technical training and competency enhancement programmes on its own and also in collaboration with reputed management



POWERGRID's participants in Management Programme at MDI, Gurgaon

development institutes such as IIMs, XLRI, ASCI, MDI and technical training institutes that include IITs, NPTI, and Hotline Training Centre.

Further, to ensure a quality living for the employees, group housing society was set up and a residential POWERGRID township in Sector-43 and Sector-46 at Gurgaon has already been completed and occupied. To further add value to the quality of life, a full fledged Higher Secondary School, well equipped Medical/ Health centre and a Recreation centre with all the facilities including gymnasium/ swimming pool etc. have been established in the township.

Haryana Urban Development Authority has awarded POWERGRID the **First Prize for best Institutional Gardening** at the 'Spring Flower Festival 2006'. A

team of well renowned Horticulturists visited POWERGRID Corporate Centre complex and adjudged the campus to be the best.

Energy Conservation

All efforts are being made by POWERGRID towards conservation of energy in all of its installations right from planning stage. The power evacuation systems are designed in most optimal manner such that losses in the system are minimal. The system and



equipment parameters are chosen accordingly. In the conductors, losses are bare minimum on account of internal resistance as well as due to external effects. Bus bar materials, clamps and connectors are chosen meeting the stringent international standards so that there is least loss of energy in them. The transformers and other switchgears are also suitably selected and evaluated before award itself for most efficient operation from loss and efficiency point of view. This is a major step in energy conservation as the energy saved by reduction in losses is construed as energy generated.

Energy conservation measures being followed by POWERGRID in its existing sub-stations includes, Monitoring of energy consumption at Corporate level, Replacing electrical light fittings with energy efficient bulbs, Installation of meters for colony for domestic consumption, Replacement of indicating bulbs with LEDs, Reduction of switchyard lighting during late night hours, Introduction of Solar panels for aviation signal lights and non essential loading/ street lighting, Energy efficient Air conditioning systems, 100% leak proof in fire fighting systems, Automatic switching facilities for street and switchyard lightings, etc. Similarly, many innovative

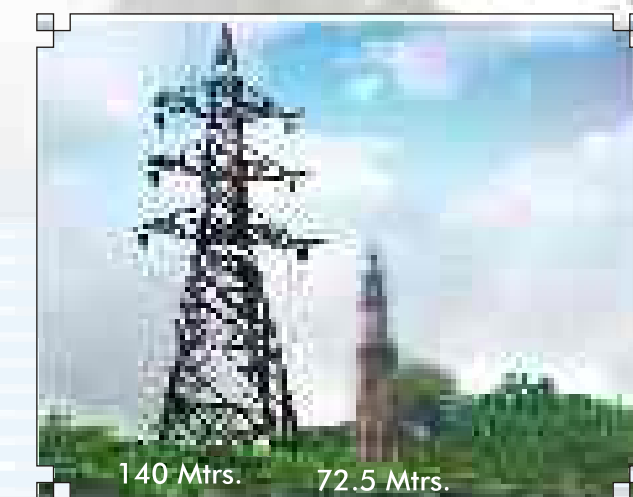
techniques are being planned for new sub-stations which includes, remote operation of sub-stations (already implemented 3 sub-stations, road map drawn for about 55 existing sub-stations and many new sub-stations), Compact sub-stations (reduces land requirement by about 25%), Bay controllers in switchyard to eliminate the concept of central control room, Use of Microprocessor based Modular Control and Relay protection schemes for reduction of number of panels, etc. It is estimated that due to close down of central control room, compact sub-stations and reduction of manpower, energy consumption shall be reduced by 25%, besides savings in O&M costs.

Overall approx. 13% energy saving has been achieved at Corporate Office building, Gurgaon during the year 2005-06 by proposed scheduling at Chiller, Boiler, AHUs, Supply & Exhaust Fans of HVAC System and by full utilisation of solar energy external lighting.

POWERGRID's 400/220kV Jalandhar Substation has also presented an excellent model for practical contribution towards Energy Conservation at the site. Jalandhar Substation has been able to control consumption of energy in most scientific/economical way by using State-of-the-Art technology i.e. by adopting automization of various systems and using energy saving luminaries. This has not only reduced energy consumption by 22% but also O&M Cost by 4.67%.

Environmental and Social concerns

Impact of POWERGRID's business on environmental degradation is almost negligible. However,



Towers taller than Qutab Minar, ensuring minimum damage to the environment

POWERGRID believes that its guiding principles of Reliability, Security and Economy have to match with the rising expectations of a cleaner, safer, healthier environment of people, both affected and benefited by its activities. In order to tackle environmental issues effectively, POWERGRID is following its unique **Environmental and Social Policy & Procedures (ESPP)** in every sphere of project implementation in true letter & spirit. The ESPP is based on the principles of **Avoidance, Minimization and Mitigation** and was developed in consultation with a wide section of people to take ample care of environmental and social issues arising out of its activities. The ESPP outlines POWERGRID's commitment to deal with environmental and social issues relating to its transmission projects, lays out management procedures and protocol to address them.

POWERGRID has been successfully implementing the ESPP in all of its projects through in-house designing of Rehabilitation Action Plan (RAP) and Environment Assessment Management Plan (EAMP) and their implementation at site. Besides, a committee of eminent persons and experts in this field has been constituted, which shall not only review the ESPP document keeping in view the international best practices but shall also oversee its compliance by POWERGRID.

Towards conservation of natural resources, particularly forest, POWERGRID has achieved tremendous success after implementation of ESPP. The data shows that forest involvement, which was about 6% of total 27,000 ckt. km. till 1998 has come down to 2% in more than 28,000 ckt. km. constructed during last 8 years after implementation of ESPP. Further, POWERGRID's concern towards environment can be gauged from the fact that tower height in case of Tehri Transmission Project has been raised to 75-85 meters from usual 45 meters to minimize felling/ lopping of tree in Rajaji National Park and protection of wild life.

Other initiatives undertaken towards protection of natural resources and environment conservation included innovative tower structure designs, multi circuit towers in ecologically sensitive areas, which reduces Right of Way requirement, Rain water harvesting and collection of used/waste water for conservation and recharging of ground water table in all upcoming buildings and substations, massive plantations in all POWERGRID installations, etc.

Emergency Restoration

POWERGRID towards discharging its social responsibilities has demonstrated its competence on several occasions in disaster management through faster restoration of transmission lines of its own and that belonging to State utilities which were damaged during natural calamities like flood, earthquake, cyclones, etc.

As a part of Tsunami Restoration work in Andaman and Nicobar Islands, one No. 33 kV tower erection and associated stringing work at Kadamtalla was taken up by POWERGRID during the year. Further, Ministry of Power has advised POWERGRID to take up the strengthening of distribution network in



View of Emergency Restoration System

Andaman and Nicobar Islands on the basis of feasibility report prepared by CEA. Total project cost is around Rs. 100 Crore. POWERGRID has already opened its office in those Islands and initial survey/ assessment works are under progress.

During the earthquake in J&K and Himachal Pradesh, POWERGRID employees donated one day salary for relief operations in these areas.

Citizen's Charter

POWERGRID formulated its Citizen's Charter providing a visible front of its objectives, mission, commitments, terms of service and its obligation to various stakeholders. Information about its

schemes, policies, project plans of the Corporation and issues of general interest to stakeholders is available in POWERGRID offices. This information is also available on POWERGRID's web site at <http://www.powergridindia.com> and is updated from time-to-time. This is intended to provide all information on schemes, plans and practices to users outside the organisation as well as information about accessing the services.

Social Justice

POWERGRID, being a socially conscious corporate entity has a responsibility to ensure social justice to the weaker sections of the society viz Scheduled Castes, Scheduled Tribes, Other Backward Classes, Persons with disability, Minorities, Women etc. We have made efforts to ensure that adequate numbers of such persons are recruited whenever we resorted to such activities. In order to achieve prescribed percentage of reservation in recruitment, we have filled up 28-SC, 19-ST, 32-OBC and 2-Persons with disability categories during the year 2005-06. Apart from giving employment, adequate representation is given to them for external and internal training programmes.

The Corporation has been faithfully implementing the Govt. directives to take care of interests of Scheduled Castes, Scheduled Tribes and Other Backward Classes. We have an SC/ST Cell in Corporate Centre and at Regional offices to protect their rights. The cells at Corporate Centre and at Regional offices are under control of nominated Liaison Officers. In each of SC/ST Cell, a Complaint Register is available to monitor complaints from reserved category and respective Liaison Officer is available on a pre-fixed and notified day to hear grievances of SC and ST employees. Further, exclusive awareness programmes for reserved category employees are organized at Corporate Centre and Regional offices to acquaint them with provisions of reservation policy and welfare measures. Besides, Training programmes are also conducted for them to enhance their skill. Necessary policies and procedures have been established in the Corporation for speedy redressal of grievances of SC/ST employees related to discrimination and harassment and for arrangement of facilities for celebration of Dr. B.R. Ambedkar Jayanti. For the well being of less privileged members of society, separate fund under annual budget for Community Development have been exclusively earmarked for

socio-economic development of such population residing nearby Projects/ sub-stations.

Implementation of official language

POWERGRID has proved its commitment towards implementation of Rajbhasha Policy of Govt. of India. To promote Indian languages particularly Rajbhasha "Hindi" in all its office works, POWERGRID has tried many innovative ideas in traditional methods.

To achieve the target as laid out in the Rajbhasha Annual Plan, POWERGRID has made all efforts to ensure use of Hindi in all aspects of management at all levels in the Corporation. For increased use of Official language various activities like organizing Workshops to impart training in Translations through *Annuvad Abhyaas Karyakram* to each and every department, enhancing working knowledge through organizing Computer training and Hindi classes etc. Further, for changing the mind set of employees towards extensive use of Rajbhasha, lectures on heritage, social and cultural concerns are also being arranged by eminent scholars on regular basis.

To propagate Hindi, various activities like, Akhil Bharatiya Rajbhasha Sammelan, Kavi Sammelan (poetry sessions), Drama, publication of Hindi Magazines/papers, various competitions and meetings etc. are regularly organized. For providing further inspiration to work in Hindi, employees are



Presentation of Rajbhasha excellence award

nominated for external Hindi Training Programmes.

The efforts made by POWERGRID have been applauded in many forums like :

- (1) The House Journal "Grid Darpan" (Ank 10 & 11) - **First prize** by Rashtriya Hindi Academy, Rupambara.
- (2) **Rashtriya Rajbhasha Shield** for Best Patrika by Rajbhasha Vikas Sammelan.

- (3) **Rajbhasha Shiromani Pursakar** by Bharatiya Bhasha Evam Sanskriti Sansthan for excellent work by POWERGRID in Hindi.
- (4) Western Region Headquarter of POWERGRID was awarded two first prizes for Rajbhasha compliance for the year 2004-05 in Public Sector Category by the Town Official Language Implementation Committee, Ministry of Home Affairs, GOI, Nagpur. The prizes included first award for Implementation of Official Language Policy of GOI, and another first award for annual Hindi magazine "Rashtrabhasha" and propagation of Rajbhasha Hindi. It was second consecutive year that magazine "Rashtrabhasha" won first prize. The above awards were presented to POWERGRID on 28.4.2005.

REMAINING VIGILANT

During the year 2005-06, 63 complaints were received, out of which 43 were signed complaints. Out of these, 37 complaints were taken up for investigation. Disciplinary proceedings were initiated in 15 cases and penalties imposed in 9 cases.

In total 146 inspections were conducted during the year out of which 82 were site inspections, 17 surprise inspections and 47 inspections in which scrutiny of files/LOAs were undertaken. Out of these inspections, 9 cases were taken up for investigation. Apart from this, recoveries to the tune of Rs.101.78 Lakh have been made during the year. Besides the above, recovery on account of CTE inspections during the year has been Rs. 81.19 Lakh.

During the year, three workshops were organized for 80 non-vigilance executives at Amritsar, Mysore and Vishakhapatnam, in accordance with the Annual HRD Calendar for training. Besides, two workshops on 'Values and Ethics' were organized at IIM, Kolkata and at Banaras Hindu University for 43 executives of POWERGRID. A Training course on 'Values and Ethics in Management' was conducted on 8.11.2005 for senior executives of POWERGRID and representatives of Powerlinks Transmission Ltd., a Joint Venture of POWERGRID and Tata Power, which was organized by Prof. S.K. Chakraborty, former Convener, Management Centre for Human Values, IIM, Kolkata.

With a view to usher in more transparency, POWERGRID after close interaction with a Committee set up under Shri Gopalachari, IPS (Retd.), has formulated and deliberated upon the Integrity Pact, originally developed by Transparency International and commended to POWERGRID by

Central Vigilance Commission and the same is under consideration of POWERGRID's Board. Deliberations on various vigilance issues took place as part of



View of Hot Line Maintenance

Vigilance Awareness Week on 8th November 2005 between POWERGRID and vendors in the presence of Chairman, Transparency International India, Shri R.H. Tahiliani and media. Besides publication of annual in-house journal 'Candour', the Vigilance Awareness Week was also marked by Inter School and College Debate Competitions as well as elocution contests which were organized at the Corporate Centre and the regions. On this occasion, a book titled 'Teaching Integrity to Youth', which has been brought out by Transparency International was also circulated. Besides, contests like slogan writing, essay writing, cartoon competition and quiz competitions were organized for employees and their family members on the occasion.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to the issues in the Directors' Report, some issues have been brought out in report on Management Discussion and Analysis placed at Annexure-I.

PARTICULARS OF EMPLOYEES

The particulars of employee of the Corporation who was in receipt of remuneration in excess of the limit prescribed under Section 217 (2A) of the Companies Act, 1956 is given in Annexure-II to this Report.

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

As per requirements of disclosures under Section 217(1) (e) of Companies Act, 1956 read with Rule 2 of the Companies (Disclosures of Particulars in the

Report of Board of Directors) Rules, 1988 information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, is given in Annexure-III to this Report.

COMPTROLLER AND AUDITOR GENERAL'S COMMENTS

Review of the accounts for the year ended 31st March, 2006 by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 along with comments of C&AG are given in Annexure-IV to this Report.

CORPORATE GOVERNANCE

A report on the Corporate Governance, forming part of this Report, together with the Auditors' Certificate thereon is given in Annexure-V to this Report.

POWERGRID'S BOARD

During the year 2005-06, a few changes took place in the constitution of the Board of Directors. Shri S. Majumdar, ED (DMS) joined POWERGRID Board as Director (Projects) w.e.f. 27.09.2005 and Shri J. Sridharan, ED (Finance) joined the Board as Director (Finance) w.e.f. 21.12.2005 in place of Dr. V.K. Garg, who relinquished the post of Director (Finance) w.e.f. 11th May, 2005. The appointment of non-official part-time Directors, whose place fell vacant on 26.07.2001, is still awaited.

ACKNOWLEDGEMENTS

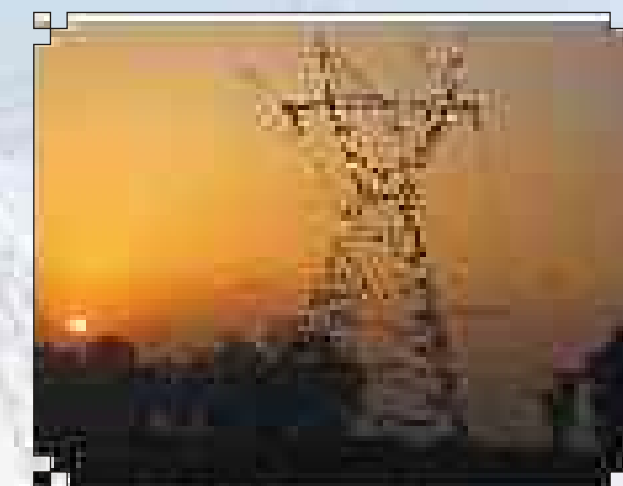
POWERGRID is playing a key role in development of economy of the country by integrating India through Power Grid facilitating transfer of reliable and secure electric power in a cost effective manner and also in taking electricity to rural India through contribution in Rural Electrification schemes.

The Directors place on record their grateful thanks for the guidance and cooperation extended all through by Ministry of Power, Central Electricity Regulatory Commission, Appellate Tribunal for Electricity, Central Electricity Authority, Ministry of Home Affairs, Ministry of Finance, Ministry of Statistics and Programme Implementation, Ministry of Environment & Forests, Planning Commission, Department of Public Enterprises and other concerned Govt. departments/agencies at the Central and State level without whose active support the achievements by the Corporation during the year under review would not have been possible.

Board's special appreciation and thanks are due to our valued customers-various State power utilities as also to valued consultancy clients, who have

awarded various consultancy works to POWERGRID and reposing faith in POWERGRID's capability to handle them. The Board also appreciates the contribution of contractors, vendors and consultants in implementation of various projects of the Company.

The Directors take this opportunity to thank the Principal Director of Commercial Audit and Ex-Officio Member Audit Board-III for the cooperation during the year. Your Directors also acknowledge the valuable suggestions and guidance received from the statutory auditors during the audit of accounts of the Company for the year under review.



Keeping powerful vigil at sunset too

Your Directors further wish to place on record their sincere thanks to the various national/international financial institutions/ banks/ credit rating agencies for the continued trust and confidence reposed by them by rendering timely assistance and patronage for successful implementation of the projects by the Company.

Last but not the least, the Board of Directors wish to place on record the valuable contribution and appreciation for the support and cooperation extended by each member of POWERGRID family in affairs of the Company.

For and on behalf of
POWER GRID CORPORATION OF INDIA LIMITED



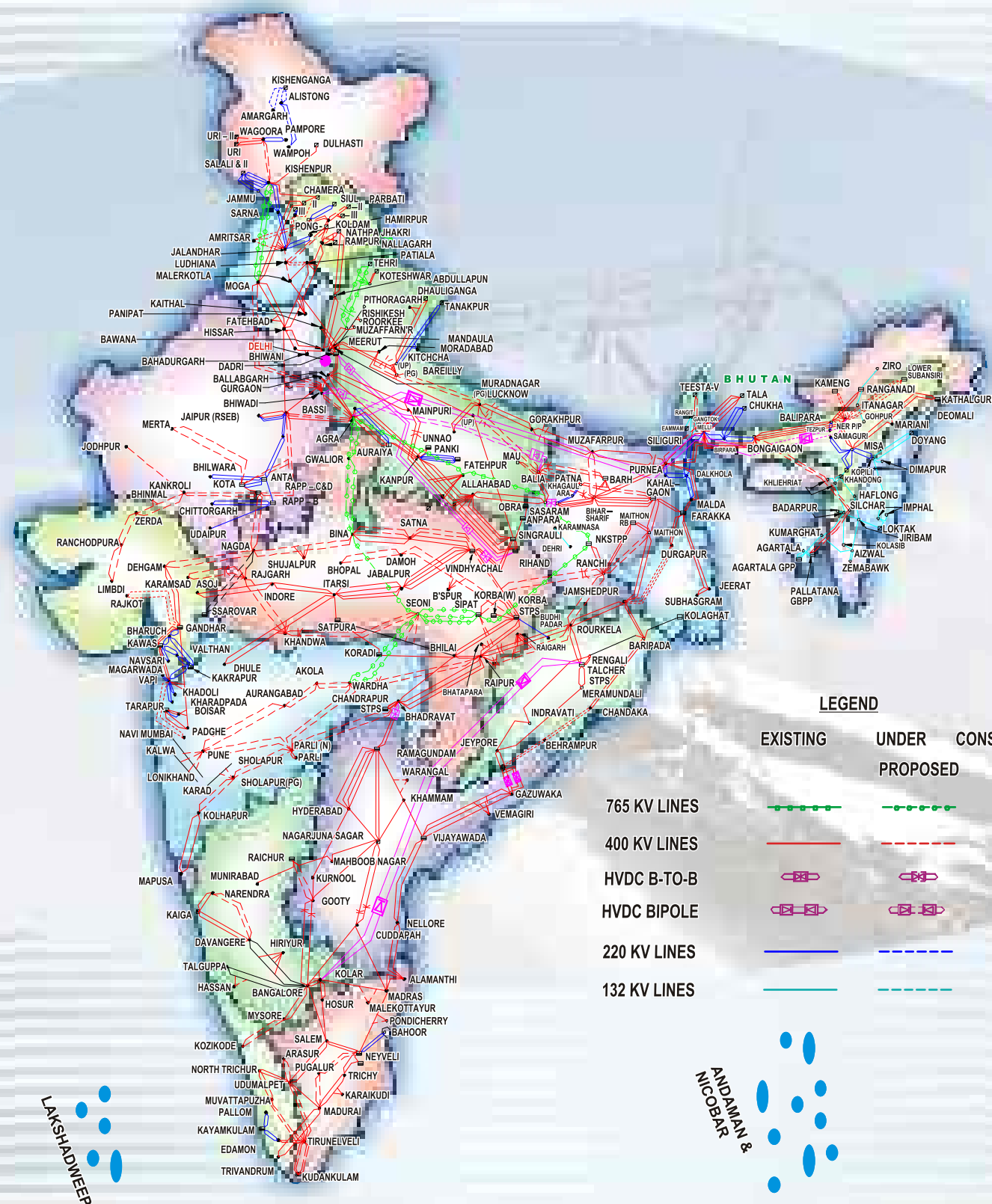
(R. P. SINGH)

Chairman & Managing Director

Date : 3rd August, 2006.
Place : New Delhi.

POWER MAP OF INDIA

POWERGRID LINES

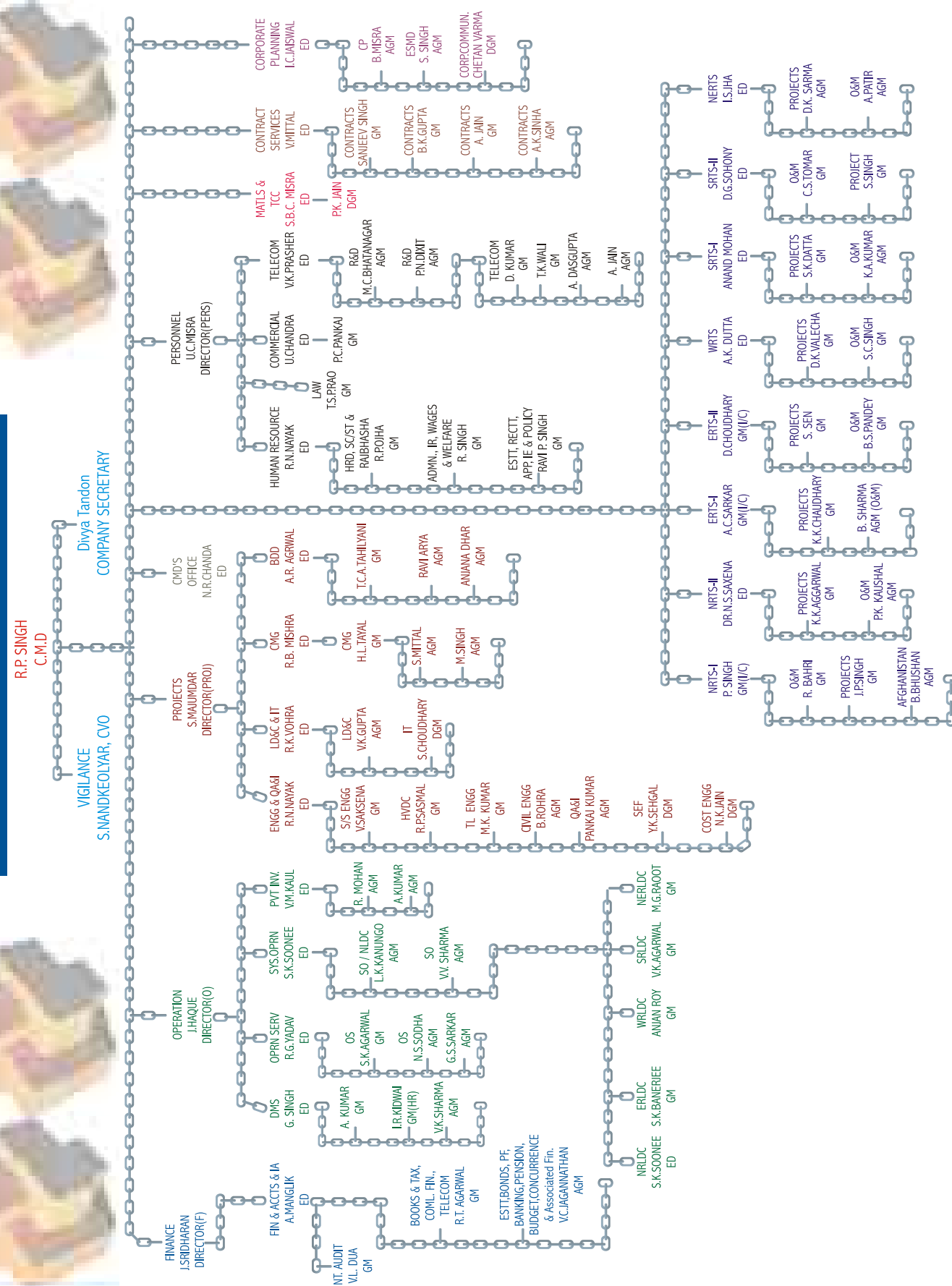


POWERGRID

BROADBAND TELECOM NETWORK



Organisation Chart



Accounts

FIVE YEARS' SUMMARY

FINANCIAL POSITION

	(Rupees in Crore)				
	2005-06	2004-05	2003-04	2002-03	2001-02
(A) WHAT THE COMPANY OWNED :					
Gross Fixed Assets	24888.25	21930.56	19876.23	18943.30	13776.79
Less: Depreciation	6372.01	5635.04	4992.40	4344.56	3870.90
Net Fixed Assets	18516.24	16295.52	14883.83	14598.74	9905.89
Capital Work-in-Progress & Construction					
Stores & Advances	6400.86	5024.79	3876.06	2592.58	5874.98
Investments	2139.41	1882.42	1851.13	739.08	739.03
Current Assets, Loan & Advances	2724.08	2611.27	2924.80	3112.73	2442.18
TOTAL (A)	29780.59	25814.00	23535.82	21043.13	18962.08
(B) WHAT THE COMPANY OWED :					
Borrowings From:					
-Govt. of India	59.34	66.53	72.11	1659.97	1772.43
-Financial Institutions	727.79	812.30	897.40	247.93	254.49
-Currency Loans	5707.39	5507.53	5188.75	4815.71	3567.07
-Other Loans/Bonds	8531.61	7001.68	6108.12	4719.67	4329.52
Current Liabilities & Provisions	3641.46	2574.04	2202.51	1398.19	1583.26
Deferred Tax Liability	309.51	240.35	182.31	232.86	194.03
Advance against Depreciation	822.23	610.33	395.33	209.12	157.19
TOTAL (B)	19799.33	16812.76	15046.53	13283.45	11857.99
(C) NET WORTH OF THE COMPANY REPRESENTED BY :					
(i) Equity capital (including Deposit)	3623.44	3204.06	3074.06	3074.06	3067.81
ii) Free Reserves and Surplus	6105.59	5442.65	4867.49	4246.11	3695.02
iii) Less: Misc. Exp. to the extent not written off	20.73	29.69	39.00	7.75	5.72
TOTAL (C)	9708.30	8617.02	7902.55	7312.42	6757.11
(D) COMMITTED RESERVES & LIABILITIES					
i) Capital Reserves		94.00	94.00	112.06	112.06
ii) Grants in Aid	272.96	290.22	297.51	335.20	234.92
iii) Development Surcharge Reserve			195.23		
TOTAL (D)	272.96	384.22	586.74	447.26	346.98
TOTAL (B+C+D)	29780.59	25814.00	23535.82	21043.13	18962.08
CAPITAL EMPLOYED	16467.12	15482.07	15028.48	15871.30	10413.59
(Net Fixed Assets + Net Current Assets)					
(E) RATIOS					
Net Profit to Capital Employed(%)	6.13	5.07	4.98	4.05	6.61
Net Profit to Net Worth(%)	10.39	9.12	9.47	8.79	10.19
Net Worth per Rupee of Paid-up					
Capital (in Rs.)	2.68	2.69	2.57	2.38	2.20
Debt/Equity Ratio	61:39	61:39	61:39	61:39	59:41
Liquidity Ratio	0.57:1	0.76:1	1.05:1	1.69:1	1.26:1

OPERATING RESULTS

	(Rupees in Crore)				
	2005-06	2004-05	2003-04	2002-03	2001-02
(A) EARNED FROM :					
Transmission Charges	2905.27	2296.83	2190.61	1957.48	2063.28
Sale of Power				126.45	176.76
Consultancy & other income	649.04	534.45	615.14	448.81	215.48
Total Earnings	3554.31	2831.28	2805.75	2532.74	2455.52
(B) PAID & PROVIDED FOR :					
Purchase of Power				126.43	176.15
Employees Remuneration & Benefits	256.81	227.18	235.29	190.52	175.30
Transmission Expenses	92.57	87.18	71.80	59.26	49.84
Administration Expenses	122.36	109.14	111.87	92.63	86.92
Other Expenses (Including Prior Period Adj.)	80.17	-26.43	43.29	8.35	13.58
Deferred Revenue Expenditure	8.86	9.31	13.85	1.11	0.96
Provisions	132.77	65.58	17.98	139.60	105.39
Total Expenditure (Excluding Depreciation & Interest)	693.54	471.96	494.08	617.90	608.14
Profit before Depreciation & Interest	2860.77	2359.32	2311.67	1914.84	1847.38
Depreciation	744.33	642.26	606.42	462.59	394.09
Interest & Finance Charges	947.45	808.69	990.96	700.41	658.04
Net Profit after Interest & Depreciation but before Tax	1168.99	908.37	714.29	751.84	795.25
Provision for Tax (MAT)	83.16	64.81	16.64	70.42	72.23
Fringe Benefit Tax	7.74				
Net Profit after MAT	1078.09	843.56	697.65	681.42	723.02
Deferred Tax	69.16	58.04	-50.55	38.83	34.40
Profit after Deferred Tax	1008.93	785.52	748.20	642.59	688.62
Dividend	302.68	184.00	125.00	100.00	50.66

REVENUE EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR ENDED 31st MARCH, 2006

Description	(Rupees in Crore)	
	As at 31st March, 2006	As at 31st March, 2005
Township		
a) Depreciation	6.33	4.86
b) Repair & Maintenance	3.91	3.76
c) Others	4.85	3.90
	15.09	12.52
Educational & School Facilities	1.97	1.83
Medical Facilities	27.32	20.06
Subsidised Transport	2.38	2.39
Social & Cultural Activities	6.13	4.58
Subsidised Canteen	5.25	4.73
Total	58.14	46.11
Less: Recoveries	1.24	1.24
Net	56.90	44.87

ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable Accounting Standards in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.

2. RESERVES AND SURPLUS

- 2.1 Grants-in-aid received from Central Government or other authorities towards capital expenditure for Projects and betterment of transmission systems are shown as grants-in-aid under "Reserves and Surplus" till the utilisation of grant. However, grants received for specific depreciable assets are shown under "Reserves and Surplus" while the assets are under construction.
- 2.2 On capitalisation of related assets, grants received for specific depreciable assets are treated as deferred income and recognised in the Profit and Loss Account over the useful period and in the proportion in which depreciation on these assets is provided.
- 2.3 Amount appropriated out of the current year profit towards future losses referred in para 15.1 below is shown as Self Insurance Reserve under 'Reserves & Surplus' and shall be reversed on actual utilization in subsequent years.

3. FIXED ASSETS

- 3.1 Fixed Assets are stated at original cost of acquisition including freight, insurance, duties, taxes & other incidental expenses (and excluding cenvat credit) incurred to bring the asset to use.
- 3.2 In the case of commissioned assets, deposit works/cost-plus contracts where final settlement of bills with contractors is yet to be effected; capitalisation is made on provisional basis subject to necessary adjustments in the year of final settlement.
- 3.3 Assets and Systems common to more than one Transmission System are capitalised on the basis of technical estimates and /or assessments.
- 3.4 Transmission System Assets are considered 'Ready for intended use', for the purpose of capitalisation, after test charging/successful commissioning of the systems/assets and completion of stabilization period wherever technically required.
- 3.5 The cost of land includes provisional deposits, payments/liabilities towards compensation, rehabilitation and other expenses but does not include the deposits/advances/expenditure incurred wherever possession of land is not taken.
- 3.6 Expenditure on levelling, clearing and grading of land is capitalised as part of cost of the related buildings.
- 3.7 Capital expenditure on assets not owned by the company, reflected as a distinct item in Capital Work-in-Progress, pending completion, is thereafter shown as a distinct item in fixed assets.
- 3.8 Insurance spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the related plant & machinery.
- 3.9 Mandatory spares in the nature of sub-station equipments /capital spares i.e. stand-by/service/rotational equipment and unit assemblies either procured along with the equipments or subsequently, are capitalised and depreciation is charged in accordance with the relevant Accounting Standard.

4. CAPITAL WORK IN PROGRESS (CWIP)

- 4.1 Cost of material consumed, erection charges thereon along with other incidental expenses incurred for the projects pending for capitalisation are shown as CWIP till the capitalisation of the system.
- 4.2 Incidental Expenditure During Construction (net), including Corporate and Regional Office expenses allocated to the projects pro-rata to their capital expenditure for the year, is apportioned to capital work in progress (CWIP) on the basis of accretion thereto. Interest during construction is apportioned on the closing balance of CWIP.
- 4.3 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors/technical assessment of work completed.
- 4.4 Claims for price-variation/exchange rate variation in case of contracts are accounted for on acceptance.

5. CONSTRUCTION STORES

Construction stores are valued at cost.

6. EXPENDITURE DURING CONSTRUCTION

- 6.1 The common expenses (Net) of Corporate Office are allocated to various diversified activities of the company like Transmission, Telecom, Consultancy, RLDCs & APDRP in the ratio of the income/reimbursement of each activity respectively. The common expenses (Net) of regional office are also allocated to aforesaid activities on the same basis except to RLDCs.
- 6.2 The common expenses thus allocated are further allocated to Incidental expenditure during construction (IEDC) and Revenue in Transmission / Telecom activities in the ratio of capital outlay thereof to transmission charges (excluding income tax recovery)/ telecom income.

- 6.3 Expenses of the project, common to operation and construction activities are allocated to Revenue and incidental expenditure during construction in the proportion of transmission income (excluding income tax recovery) to capital outlay.

7. BORROWING COST

- 7.1 All the borrowed funds are earmarked to specific projects. The borrowing costs (including Bond Issue expenses, Interest, Front End fee, Management fee etc.) are allocated to the projects in proportion to the funds so earmarked.
- 7.2 The borrowing costs so allocated are capitalised or charged to revenue, based on whether the project is under construction or in operation.
- 7.3 Exchange Rate Variation on loans towards fixed assets not acquired from outside India is considered as borrowing cost to the extent it does not exceed domestic borrowing cost in accordance with AS-16.

8. TRANSACTION IN FOREIGN CURRENCY

- 8.1 Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of transaction. Foreign Currency loans/deposits/liabilities are translated /converted with reference to the rates of exchange ruling at the year-end.
- 8.2 Exchange Rate Variation (except the amount considered as 'borrowing cost' under para 7.3 above) arising on transactions contracted prior to 1.4.2004 governed by AS-11 (Revised 1994) 'Accounting for the Effects of changes in Foreign Exchange Rates' is adjusted to carrying cost of Capital Work-in-Progress/Fixed Assets in case of Capital Assets and is charged off to revenue, in the case of Current Assets.

9. INVESTMENTS

Long term investments are carried at cost less provisions, if any, for permanent diminution in the value of such investments.

10. INVENTORIES

- 10.1 Inventories, other than scrap, are valued at cost on weighted- average basis.
- 10.2 Steel scrap and conductor scrap are valued at estimated realisable value or book value, whichever is less.
- 10.3 Mandatory spares of consumable nature and transmission line items are treated as inventory after commissioning of the line.
- 10.4 Surplus materials as determined by the management are held for intended use and are included in inventory.

11. DEFERRED REVENUE EXPENDITURE

Deferred Revenue Expenditure (DRE) created up to 31.03.2003 (prior to the date AS-26 became mandatory) are amortized over a period of 5 years from the year of commercial operation/earning of revenue.

12. REVENUE RECOGNITION

- 12.1.1 Transmission Income is accounted for based on tariff rates notified by Central Electricity Regulatory Commission (CERC). In case of transmission projects where tariff rates are yet to be notified, transmission income is accounted as per tariff norms notified by CERC and shortage/excess, if any, is adjusted based on final notification of tariff by CERC including other amendments in similar cases. Transmission income on account of additional capitalization, if any, is accounted for on the basis of specific order by the CERC.
- 12.1.2 Income from Short Term Open Access is accounted for on the basis of regulations notified by CERC.
- 12.1.3 Advance Against Depreciation, forming part of tariff pertaining to subsequent years, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.
- 12.2 Surcharge recoverable from debtors is not treated as accrued due to uncertainty of its realisation, and is, therefore accounted for on receipt/certainty of receipt basis.
- 12.3 Liquidated damages/warranty claims and Interest on advances to suppliers are not treated as accrued due to uncertainty, and are, therefore, accounted for on receipt / acceptance basis.
- 12.4 Telecom income is accounted for on the basis of terms of agreements with / purchase orders from the customers.
- 12.5.1 Income from sole Consultancy Contracts is accounted for on technical assessment of progress of services rendered.
- 12.5.2 In respect of other Cost-plus-Consultancy Contracts, involving execution on behalf of the client, income is accounted for, in phased manner as under:
- | | |
|---|-----|
| a. On issue of Notice Inviting Tender for execution | 10% |
| b. On Award of Contracts for execution | 5% |
| c. On the basis of actual progress of work including supplies | 85% |
- 12.6 The Transmission system Incentive/Disincentive is accounted for based on the norms notified / approved by Central Electricity Regulatory Commission on certification of availability by the respective Regional Electricity Boards.
- 12.7 Scrap other than steel scrap & conductor scrap is accounted for as and when sold.
- 12.8 Dividend including interim dividend is recognised as income in the year of declaration.

13. LEASED ASSETS UNIFIED LOAD DESPATCH CENTRE (ULDC)

- 13.1 State Sector ULDC assets leased to the SEBs are considered as Finance Lease. Net investment in such leased assets along with accretion in subsequent years is accounted as Lease Receivables under Loans & Advances. Wherever grant-in-aid is received for construction of State Sector ULDC, lease receivable is accounted for net of such grant.
- 13.2 Finance income on leased assets is recognised based on a pattern reflecting a constant periodic rate of return on the net investment as per the levellised tariff notified/to be notified by CERC.
- 13.3 Exchange Rate Variation (ERV) on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenor of lease. ERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.

14. DEPRECIATION

- 14.1.1 Depreciation is provided on Straight Line Method at the rates specified in norms notified by Central Electricity Regulatory Commission (CERC) for the purpose of recovery of tariff on pro-rata basis. In respect of assets, where rates have not been specified in the said notification, depreciation is provided on straight line method as per rates prescribed under the Income Tax Act, 1961, except in case of computers and peripherals, mobile phones and, ULDC assets, where rates as assessed by the Company are adopted.
- 14.1.2 Depreciation on assets of telecom and consultancy business, is provided on straight line method as per rates specified in Schedule XIV of the Companies Act, 1956.
- 14.1.3 Where the cost of depreciable asset has undergone a change due to increase/decrease in long term liabilities on account of exchange rate fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.
- 14.1.4 Capital expenditure on assets not owned by the company is amortized over a period of four years from the year in which the first line/sub-station of the project comes into commercial operation and, thereafter, from the year in which the relevant assets are completed and become available for use.
- 14.1.5 Plant and Machinery, Loose Tools and items of scientific appliances, included under different heads of assets, costing Rs.5000/- or less or with written down value of Rs.5000/- or less as at the beginning of the year, are charged off to revenue.
- 14.1.6 Leasehold land is depreciated over the tenure of the lease.
- 14.2 In the case of assets of National Thermal Power Corporation Limited (NTPC), National Hydro-electric Power Corporation Limited (NHPC), North-Eastern Electric Power Corporation Limited (NEEPCO), Neyveli Lignite Corporation Limited (NLC) transferred w.e.f. 01.04.92, Jammu and Kashmir Lines w.e.f. 01.04.93, and Tehri Hydro Development Corporation Limited (THDC) w.e.f. 01.08.93, depreciation is charged based on Gross Block as indicated in transferor's books with necessary adjustments so that the life of the assets as laid down in the CERC notification for tariff is maintained.

15. EXPENDITURE

- 15.1 Insurance reserve is created @ 0.1% on gross block of Fixed Assets as at the end of the year in respect of future losses which may arise from uninsured risks (except for valve halls of HVDC Bi-pole, HVDC equipments, and SVC sub stations) with the corresponding appropriation thereof from the profit of the year.
- 15.2 Pre-paid/prior-period items up to Rs.100000/- are accounted to natural heads of account.
- 15.3 Expenses of Research and Development are charged to Revenue.
- 15.4 Expenditure, except the cost of equipment capitalised, incurred for activating the last mile connectivity of telecom links are amortised over the period of the agreement with the customer.

16. IMPAIRMENT OF ASSETS

Cash generating units as defined in AS-28 on 'Impairment of Assets' are identified at the balance sheet date with respect to carrying amount vis-à-vis. recoverable amount thereof and impairment loss, if any, is recognised in the profit & loss account. Impairment loss, if need to be reversed subsequently, is accounted for in the year of reversal.

17. RETIREMENT BENEFITS

- 17.1 The liability for retirement benefits of employees in respect of Gratuity, which is ascertained annually on actuarial valuation at the year end, is provided and funded separately.
- 17.2 The liabilities for leave encashment and post retirement medical benefits to employees are accounted for on accrual basis based on actuarial valuation at the year end.

Balance Sheet As At 31st March, 2006

(Rupees in Crore)

	Schedule No.	RLDC Transmission & ULDC	& others	As at 31st March, 2006	As at 31st March, 2005
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	01		3623.44	3623.44	3204.06
Reserves and Surplus	02	181.84	6196.71	6378.55	5826.87
		181.84	9820.15	10001.99	9030.93
Loan Funds					
Secured Loans	03		10406.62	10406.62	8953.63
Unsecured Loans	04		4619.51	4619.51	4434.41
			15026.13	15026.13	13388.04
Advance Against Depreciation (Deferred Revenue)	05		822.23	822.23	610.33
Deferred Tax liability(Net)			309.51	309.51	240.35
Inter Unit Accounts		1279.64	-1279.64		
TOTAL		1461.48	24698.38	26159.86	23269.65
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	06	744.24	24144.01	24888.25	21930.56
Less: Depreciation		121.44	6250.57	6372.01	5635.04
Net Block		622.80	17893.44	18516.24	16295.52
Capital Work-in-Progress	07		3635.68	3635.68	3561.62
Construction Stores and Advances	08	9.31	2755.87	2765.18	1463.17
		632.11	24284.99	24917.10	21320.31
Investments	09		2139.41	2139.41	1882.42
Current Assets, Loans & Advances					
Inventories	10	0.80	179.44	180.24	184.27
Sundry Debtors	11	25.33	300.27	325.60	450.70
Cash and Bank Balances	12	28.66	560.39	589.05	603.97
Other Current Assets	13	3.17	152.27	155.44	134.85
Loans and Advances	14	911.11	562.64	1473.75	1237.48
		969.07	1755.01	2724.08	2611.27
Less: Current Liabilities & Provisions					
Current Liabilities	15	139.48	2823.58	2963.06	2229.43
Provisions	16	0.22	678.18	678.40	344.61
		139.70	3501.76	3641.46	2574.04
Net Current Assets		829.37	-1746.75	-917.38	37.23
Miscellaneous Expenditure (to the extent not written off or adjusted)	17		20.73	20.73	29.69
TOTAL		1461.48	24698.38	26159.86	23269.65
Contingent Liabilities	18	23.65	2788.16	2811.81	2445.01
Notes on accounts	28				

Schedule 1 to 28 and Accounting Policies form an integral part of Accounts

For and on behalf of the Board

(Divya Tandon)
Company Secretary

(J. Sridharan)
Director(Finance)

(R. P. Singh)
Chairman & Managing Director

For O. P. Bagla & Co.
Chartered Accountants

As per our report of even date
For B. M. Chatrath & Co.
Chartered Accountants

For Nataraja Iyer & Co.
Chartered Accountants

(O. P. Bagla)
Partner

(P. R. Paul)
Partner

(E. S. Ranganath)
Partner

Place: New Delhi
Date: 13th June, 2006

Profit and Loss Account For the Year Ended 31st March, 2006

(Rupees in Crore)

	Schedule No.	RLDC Transmission & ULDC	& others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
INCOME					
Revenue from Operations	19	135.88	3009.46	3145.34	2513.07
Provision written back	20	0.04	67.89	67.93	1.24
Other Income	21	60.61	280.43	341.04	316.97
TOTAL		196.53	3357.78	3554.31	2831.28
EXPENDITURE					
Employees' Remuneration & Benefits	22	23.93	232.88	256.81	227.18
Transmission, Administration and Other Expenses	23	28.84	193.52	222.36	197.32
Depreciation		41.43	702.90	744.33	642.26
Provisions	24	0.05	132.72	132.77	65.58
Interest and Finance Charges	25	67.06	880.39	947.45	808.69
Deferred Revenue Expenditure written Off			8.86	8.86	9.31
TOTAL		161.31	2151.27	2312.58	1950.34
Profit for the year before tax and Prior period Adjustments		35.22	1206.51	1241.73	880.94
Less: Prior Period Expenditure/(Income) (Net)	26	2.05	70.69	72.74	-27.43
Profit Before Tax		33.17	1135.82	1168.99	908.37
Less: Provision for Taxation-Current Year				84.94	62.53
- Earlier Years				-1.78	2.28
Fringe Benefit Tax				7.74	
Profit after Current Tax				1078.09	843.56
Less: Provision for Deferred Tax-Current Year				69.16	44.77
- Earlier Years					13.27
Profit after Tax				1008.93	785.52
Add: Balance of Profit brought forward				31.90	38.31
Add: Bond Redemption Reserve Written Back				105.06	195.92
Total Amount Available for Appropriation				1145.89	1019.75
Appropriation					
Interim Dividend Paid				87.23	88.00
Dividend Tax Paid				12.23	11.82
Proposed Final Dividend				215.45	96.00
Provision for Dividend Tax				30.21	13.46
Transfer to Self Insurance Reserve				20.17	17.23
Transfer to Bonds Redemption Reserve				225.97	461.34
Transfer to General Reserve				500.00	300.00
Balance of Profit carried over to Balance Sheet				54.63	31.90
				1145.89	1019.75
Earning per Share-Basic (In Rs.per share of Rs.1000/-)				307	257
Earning per Share-Diluted (In Rs.per share of Rs.1000/-)				303	254
Incidental Expenditure During Construction	27				
Notes on Accounts	28				

Schedule 1 to 28 and Accounting Policies form an integral part of Accounts

For and on behalf of the Board

(Divya Tandon)
Company Secretary

(J. Sridharan)
Director(Finance)

(R. P. Singh)
Chairman & Managing Director

For O. P. Bagla & Co.
Chartered Accountants

As per our report of even date
For B. M. Chatrath & Co.
Chartered Accountants

For Nataraja Iyer & Co.
Chartered Accountants

(O. P. Bagla)
Partner

(P. R. Paul)
Partner

(E. S. Ranganath)
Partner

Place: New Delhi
Date: 13th June, 2006

Schedule 01 - Share Capital

(Rupees in Crore)		
Description	As at 31st March, 2006	As at 31st March, 2005
AUTHORISED		
5,00,00,000 (Previous year 5,00,00,000) equity shares of Rs. 1000/- each.	5000.00	5000.00
ISSUED, SUBSCRIBED AND PAID-UP		
3,58,46,286 (Previous Year 3,16,52,486) equity shares of Rs. 1000/- each fully paid up	3584.63	3165.25
Share Capital Deposit	38.81	38.81
TOTAL	3623.44	3204.06

Schedule 02 - Reserves and Surplus

(Rupees in Crore)				
Description	As at 31st March, 2005	Additions During the Year	Deductions / Adjustments During the Year	As at 31st March, 2006
Capital Reserve (Refer Note No. 9 (c) of Schedule 28)	94.00	-	94.00	
Grants in aid	290.22		17.26	272.96
Self Insurance Reserve	88.54	20.17	0.87	107.84
General Reserve	4690.37	500.00		5190.37
Bonds Redemption Reserve	631.84	225.97	105.06	752.75
	5794.97	746.14	217.19	6323.92
Balance in Profit & Loss Account	31.90			54.63
Total	5826.87			6378.55

Schedule 03 - Secured loans

(Rupees in Crore)		
Description	As at 31st, March, 2006	As at 31st, March, 2005
LOANS THROUGH BONDS		
BONDS VI SERIES		
13% Taxable, Secured, Redeemable, Non-cumulative Non-convertible Bonds of Rs. 1000/- each redeemable at par in 10(ten) equal annual installments from 6th December, 2002 Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Gandhar Stage-I Transmission System	60.00	70.00
BONDS VII SERIES		
13.5% Taxable Secured, Redeemable, Non-cumulative Non-convertible Bonds of Rs. 1000/- each redeemable at par in 5(five) equal annual instalments from 4th August, 2003 Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Kahalgaon Transmission System and Ramagundam Stage-I & II Transmission System.	80.00	120.00

Schedule 03 - Secured loans (Contd.)

(Rupees in Crore)		
Description	As at 31st, March, 2006	As at 31st, March, 2005
BONDS VIII SERIES		
10.35% Taxable, Secured, Redeemable, Non-cumulative Non-convertible Bonds of Rs. 1000/- each redeemable at par in 10(Ten) equal annual instalments w.e.f. 27th April, 2005 Secured by floating charge over the Fixed Assets of the Corporation	18.00	20.00
BONDS IX SERIES		
12.25% Taxable, Secured, Redeemable, Non-cummulative, Non-convertible Bonds of Rs. 1,00,000/- each redeemable at par in 10(Ten) equal annual instalments w.e.f. 22nd August, 2003 Secured by way of Registered Debenture Trust Deed on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of Transmission lines and Sub-stations of parts of NJTL system.	403.55	461.20
BONDS X SERIES		
10.90% Taxable, Secured, Redeemable, Non-cumulative Non-convertible Bonds of Rs. 12 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 21.06.2004 Secured by way of Registered Debenture Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of CTP-I, Farakka & Chamera Transmission system	634.60	698.06
BONDS XI SERIES		
a) 9.80% Taxable Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 3 crores each consisting of 12 STRPPs of Rs 25 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 07-12-2005 Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Anta, Auriya, Moga-Bhiwani, Chamera-Kishenpur, Sasaram-Allahabad, LILO of Singrauli-Kanpur and Allahabad Sub-station	497.75	543.00
b) 9.20% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible bonds of Rs 3 crores each consisting of 6 STRPPs of Rs 50 lakh each, redeemable at par in 6 (six) equal annual instalments w.e.f 07-12-2003 Secured by way of Registered debenture trust Deed ranking pari-passu, on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Guajrat and mortgage & hypothecation on assets of Uri Transmission system	103.50	138.00
	601.25	681.00
BONDS XII SERIES		
9.70% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 1.5 crores each consisting of 12 STRPPs of Rs 12.50 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 28.03.2006.	169.13	184.50

Schedule 03 - Secured loans (Contd.)

Description	(Rupees in Crore)	
	As at 31st, March, 2006	As at 31st, March, 2005
Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage and hypothecation on asset of Kayamkulam & Ramagundam Hyderabad Transmission System		
BONDS XIII SERIES		
a) 8.63% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 1.5 crores each consisting of 12 STRPPs of Rs 12.50 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 31.07.2006.	810.00	810.00
Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Kishenpur Moga & Dulhasti Contingency Transmission System		
b) 7.85% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 1.5 crores each consisting of 06 STRPPs of Rs 25 lakh each, redeemable at par in 6 (six) equal annual instalments w.e.f 31.07.2003	125.25	167.00
Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of NLC Lines Trichy, Neyveli-Bahoor Line, Neyveli-Trichy Transmission System		
	935.25	977.00
BONDS XIV SERIES		
6.10% Taxable, Secured Redeemable, Non-Cumulative, Non-Convertible Bonds of Rs. 1.5 crores each consisting of 12 STRPP's of Rs. 12.50 Lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 17.07.2004.	582.50	640.75
Secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambhet Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the Company.		
BONDS XV SERIES		
6.68% Taxable, Secured, Non-Cumulative, Non-convertible Bonds of Rs. 1.50 crores each consisting of 12 STRPP's of Rs 12.50 lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f 23.02.2008.	900.00	900.00
Secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.		
BONDS XVI SERIES		
7.10% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs 1.00 crore each consisting of 10 STRPP's of Rs 10.00 lakh each redeemable at par in 10 (Ten) equal annual installments w.e.f. 18.02.2009	750.00	*

Schedule 03 - Secured loans (Contd.)

Description	(Rupees in Crore)	
	As at 31st, March, 2006	As at 31st, March, 2005
Secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.		
* Opening balance of Bonds XVI issue is included under Unsecured Loans		
BONDS XVII SERIES		
7.39% Taxable, Secured, Redeemable, Non-convertible, Non-cumulative Bonds of Rs 1.00 Crore each consisting of 10 STRPP's of Rs. 10.00 lakh each redeemable at par in 10(ten) equal annual installments w.e.f 22.09.2009	1000.00	
Secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.		
	6134.28	4752.51
Term Loans from Banks/ Financial Institutions		
Secured by a floating charge on the fixed assets of the Company		
Indian Overseas Bank	70.00	80.00
Corporation Bank	75.00	85.00
Punjab National Bank-Loan-I	140.00	160.00
Punjab National Bank-Loan-II	250.00	275.00
Oriental Bank of Commerce	208.33	229.17
Life Insurance Corporation of India	662.46	736.63
	1405.79	1565.80
ICICI Bank Ltd.		
Secured by first pari passu charge over the assets of the Company	105.00	120.00
Life Insurance Corporation of India	0.33	0.67
Secured by equitable mortgage of immovable properties of Kathalguri Transmission System		
Bank of India, Cayman Island	402.18	417.50
Secured by a Floating charge on the immovable properties of the company		
Loan from International Bank for Reconstruction and Development (Guaranteed by Govt. of India)		
PSDP I	608.50	695.30
Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyachal and Rihand Transmission system and further guaranteed by Government of India		
PSDP-II	1750.54	1401.85
Secured by pari passu interest in the liens created on the assets as security for the debts and further guaranteed by Government of India		
	2359.04	2097.15
	4272.34	4201.12
Total Secured Loans	10406.62	8953.63
Due for repayment/redemption within one year	740.51	625.50

Schedule 04 - Unsecured Loans

Description	(Rupees in Crore)	
	As at 31st, March, 2006	As at 31st, March, 2005
LOANS THROUGH BONDS		
BONDS XVI SERIES		
7.10% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 1.00 crore each consisting of 10 STRPP's of Rs. 10.00 lakh each redeemable at par in 10 (Ten) equal annual installments w.e.f. 18.02.2009 To be secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.	*	750.00
* Closing balance of Bonds XVI issue are included under Secured Loans.		
BONDS XVIII SERIES		
8.15% Taxable, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 1.50 crore each consisting of 12 STRPP's of Rs. 12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f. 09.03.2010. To be secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.	999.00	
	999.00	750.00
Loans in Indian Currency		
Short Term Loans from Banks		
	550.00	550.00
Term Loans		
Power Finance Corporation Limited	65.00	75.00
Government of India	59.34	66.53
	124.34	141.53
		674.34
Loans in Foreign Currency		
From Overseas Branches of Indian Banks		
State Bank of India, London	45.87	80.69
Bank of Baroda, London	30.73	64.85
	76.60	145.54
From Foreign Banks & Financial Institutions		
Loans Guaranteed by Govt of India		
a. Natexis Banque (Credit National), France	127.92	136.32
b. Credit Agricole Indosuez (Banque Indosuez)	20.25	35.07
c. Asian Development Bank (1405 - IND)	752.12	786.13
(To be Secured by creating charge on the assets of the Company to rank pari passu with the other secured lenders)		
d. Overseas Economic Corporation Fund (JBIC)	142.98	138.90
e. European Investment Bank	112.50	127.55
f. Asian Development Bank (1764-IND)	788.40	511.99
(To be Secured by creating charge on the assets of the Company to rank pari passu with the other secured lenders)		
	1944.17	1735.96
Others		
Kreditanstalt Fur Wiederaufbau, Germany	715.95	860.73
Scandinaviska enskilda Banken AP(PUBL)	169.18	178.47
	885.13	1039.20
NTPC Purchase Consideration		
PENDING FINALISATION OF TRIPARTITE AGREEMENT/BACK TO BACK AGREEMENT AMOUNT PAYABLE TO GOVERNMENT OF INDIA ON ACCOUNT OF Syndicated loan from Industrial Bank, Japan	40.27	72.18
	2869.57	2847.34
	2946.17	2992.88
Total Unsecured Loans	4619.51	4434.41
Due for repayment/redemption within one year	942.31	850.29

Schedule 05 - Advance Against Depreciation (Deferred Revenue)

Description	(Rupees in Crore)			
	As at 31st, March, 2005	Additions During the Year	Reversals/ Adjustments during the year	As at 31st, March, 2006
Advance Against Depreciation	610.33	213.36	1.46	822.23
TOTAL	610.33	213.36	1.46	822.23
Previous Year	395.33	216.10	1.10	610.33

Schedule 06 - Fixed Assets

Description	(Rupees in Crore)									
	As at 31st March, 2005	Gross Block Additions during the year	Adjustments during the year	As at 31st March, 2006	Upto 31st March, 2005	Additions for the year	Adjustments during the year	As at 31st March, 2006	Net Block As at 31st March, 2006	As at 31st March, 2005
Land										
a) Freehold	203.20	52.05	2.21	253.04					253.04	203.20
b) Leasehold	37.88	1.41	-0.02	39.31	2.17	0.44		2.61	36.70	35.71
c) Unclassified	0.18			0.18					0.18	0.18
Buildings										
a) Sub-Stations & Office	292.09	30.02	-1.76	323.87	66.52	8.17	-0.04	74.73	249.14	225.57
b) Township	202.88	53.47	-0.17	256.52	29.84	4.16	-0.13	34.13	222.39	173.04
Temporary Erection	6.28	0.23		6.51	4.75	0.43	0.04	5.14	1.37	1.53
Roads & Bridges	62.39	8.29	-0.74	71.42	10.07	1.24		11.31	60.11	52.32
Water Supply Drainage & Sewerage	42.77	4.03	-0.24	47.04	8.30	0.93		9.23	37.81	34.47
Plant & Machinery										
a) Transmission Lines	12026.39	1909.65	37.08	13898.96	2767.06	342.57	2.87	3106.76	10792.20	9259.33
b) Substation	7743.82	538.54	71.04	8211.32	2530.70	294.12	3.52	2821.30	5390.02	5213.12
c) ULDC	476.67	222.63	-0.53	699.83	72.40	39.95	0.16	112.19	587.64	404.27
d) Telecom links	631.33	209.89	6.83	834.39	43.45	39.70	0.70	82.45	751.94	587.88
Constrn.and Workshop equipment	20.46	5.96	-0.89	27.31	7.15	0.80	-0.22	8.17	19.14	13.31
Electrical Installation	33.74	10.63	-0.02	44.39	12.38	2.41		14.79	29.60	21.36
Vehicles	3.33	0.10	0.42	3.01	2.31	0.17	0.36	2.12	0.89	1.02
Furniture Fixtures & Office equipment	66.81	14.38	-0.01	81.20	26.44	4.01	0.21	30.24	50.96	40.37
EDP/WP Machines	42.09	7.58	3.99	45.68	29.42	6.50	3.57	32.35	13.33	12.67
Miscellaneous Assets/ Equipments	32.16	7.66	0.58	39.24	18.54	3.02	0.16	21.40	17.84	13.62
Capital Exp. on Assets not owned by the Company	7.70	1.36	0.03	9.03	4.99	1.56	0.02	6.53	2.50	2.71
Grand Total	21932.17	3077.88	117.80	24892.25	5636.49	750.27	11.31	6375.45	18516.80	16295.68
Less: Provisions for assets discarded										
				4.00				3.44	0.56	
				24888.25				6372.01	18516.24	
Previous Year	19876.23	1937.64	-118.30	21932.17	4992.40	647.52	3.43	5636.49	16295.68	
Less: Provisions for assets discarded				1.61				1.45	0.16	
				21930.56				5635.04	16295.52	
Depreciation (Addition during the year)										
					31.03.06	31.03.05				
Less: Transferred to Incidental Expenditure During Construction					750.27	647.52				
Charged to Profit & Loss Account					5.94	5.26				
					744.33	642.26				

Schedule 06A - Fixed Assets - RLDC & ULDC

(Rupees in Crore)

Description	Gross Block			As at 31st March, 2006	Depreciation			As at 31st March, 2006	Net Block	
	As at 31st March, 2005	Additions during the year	Adjustments during the year		Upto 31st March, 2005	Additions for the year	Adjustments during the year		As at 31st March, 2006	As at 31st March, 2005
Plant & Machinery	481.75	225.90	-0.43	708.08	73.35	40.27	0.12	113.50	594.58	408.40
Furniture Fixtures & Other equipment	4.67	5.08	-0.19	9.94	1.17	0.30	-0.03	1.50	8.44	3.50
EDP/WP Machines	3.94	0.79	0.51	4.22	3.02	0.45	0.12	3.35	0.87	0.92
Miscellaneous Assets/Equipments	20.4	1.56	-0.04	22.00	2.63	0.41	-0.05	3.09	18.91	17.77
TOTAL (F)	510.76	233.33	-0.15	744.24	80.17	41.43	0.16	121.44	622.80	430.59

Schedule 07 - Capital Work in Progress

(Rupees in Crore)

Description	Balance As at 31.03.2005	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2006
Land					
Development of land	7.94	7.67	1.42	1.87	12.32
Buildings					
a) Sub-Stations & Office	32.00	35.68	5.21	29.93	32.54
b) Township	44.07	40.75	1.43	53.39	30.00
Temporary erection	0.22	0.51	0.03	0.22	0.48
Roads & Bridges	5.05	8.81	0.01	7.93	5.92
Water Supply Drainage and Sewerage	2.30	4.16	0.04	3.04	3.38
Plant & Machinery (including associated civil works)					
a) Transmission Lines	2498.94	2184.22	2.58	1904.03	2776.55
b) Sub-Station	405.08	766.04	13.35	534.29	623.48
c) ULDC	314.81	72.63	167.97	216.84	2.63
d) Telecom links	181.13	63.78	10.93	209.03	24.95
Furniture, Fixtures & Other office equipment	1.39	0.28	1.10	0.56	0.01
Electrical installations	6.88	7.56	6.23	5.17	3.04
Survey, Investigation, Consultancy & Supervision Charges	43.21	17.69	10.37	7.26	43.27
Difference in Exchange on foreign Loans	-3.11	-63.34	-56.84	-11.42	1.81
Capital expenditure on assets not owned by Company	1.36	0.96		0.86	1.46
Incidental Expenditure during Construction	20.35	313.63	260.04		73.94
TOTAL	3561.62	3461.03	423.87	2963.00	3635.78
Less: Provisions for assets discarded					0.10
					3635.68
Previous Year	2235.94	3663.06	451.25	1886.13	3561.62

Schedule 08 - Construction Stores and Advances

(Rupees in Crore)

Description	RLDC Transmission & ULDC	Transmission & Others	As at 31st March, 2006	As at 31st March, 2005
Construction Stores {Including Material in transit/pending issue to contractors and with contractors of Rs. 2189.06 crores (Previous Year Rs 872.55 crores)}				
Steel		0.62	0.62	0.40
Cement		0.02	0.02	0.03
Others (Towers/Conductors, Transmission/Telecom material)	8.11	2229.48	2237.59	938.02
	8.11	2230.12	2238.23	938.45
Less: Provision for Shortages and obsolete material		5.31	5.31	5.33
	8.11	2224.81	2232.92	933.12
Advances for Capital Expenditure				
Secured				
Considered Good		1.94	1.94	5.60
Unsecured				
Considered Good				
a. Against Bank guarantees	1.20	464.27	465.47	462.64
b. Others		64.85	64.85	61.81
Considered Doubtful		1.95	1.95	1.99
	1.20	531.07	532.27	526.44
Less: Provision for Bad & Doubtful Advances		1.95	1.95	1.99
	1.20	529.12	530.32	524.45
	1.20	531.06	532.26	530.05
	9.31	2755.87	2765.18	1463.17

Schedule 09 - Investments

(Rupees in Crore)

Description	As at 31st March, 2006	As at 31st March, 2005
LONG TERM		
A. TRADE INVESTMENTS		
I. Govt. Securities (Unquoted):-		
a) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of :		
Andhra Pradesh	180.52	180.52
Arunachal Pradesh	5.22	5.22
Assam	167.80	167.80
Bihar	162.14	126.86
Gujarat	70.04	70.04
Haryana	80.50	80.50
Himachal Pradesh	2.83	2.83
Jammu & Kashmir	161.98	161.98
Karnataka	23.76	23.76
Less: bonds payable to NLC	1.33	1.33
	22.43	22.43
Kerala	24.11	24.11
Madhya Pradesh	104.06	104.06
Maharashtra	13.47	13.47
Manipur	31.70	31.70
Meghalaya	0.43	0.43
Mizoram	0.02	0.02
Nagaland	13.93	13.93
Punjab	46.94	46.94

Schedule 09 - Investments (Contd.)

Description	(Rupees in Crore)	
	As at 31st, March, 2006	As at 31st, March, 2005
Rajasthan	21.80	21.80
Sikkim	11.27	11.27
Tamil Nadu	35.03	35.03
Tripura	0.91	0.91
Uttar Pradesh	461.46	461.46
Uttaranchal	51.27	51.27
West Bengal	80.49	80.49
Jharkhand	111.51	
	1861.86	1715.07
b) Other Bonds:-		
7 years 12.25% PSEB Bonds, Ist Tranche, Interest payable Annually, bonds of Rs. 5 lakh each redeemable w.e.f 18.12.2006	2.10	2.10
7 years 12.25% PSEB Bonds, IInd Tranche, Interest payable Annually, Bonds of Rs 5 lakh each redeemable w.e.f . 01.03.2007	7.65	7.65
15 years 8.5% J&K Govt. Bonds 2017, Interest payable semi-annually, redeemable w.e.f 30.11.2007	23.08	23.08
15 years 8.5% J&K Govt. Bonds 2018, Interest payable semi-annually, redeemable w.e.f 31.03.2008	26.87	26.87
II. Equity Shares-Fully Paid up :-	59.70	59.70
Quoted		
120,00,006(Previous year 120,00,006) Shares of Rs.10/- each of PTC India Ltd.	12.00	12.00
{Market Value Rs 70.92 crore @ 59.10(NSE) per share (Previous year Rs. 57.61 Crores @ 48.01 per share)}		
Unquoted		
Subsidiary Company(Refer Note No.34(A)(ii) of Schedule 28))		
50,000 (Previous Year 50,000) shares of Rs 10/- each of Parbati Koldam Transmission Company Ltd. (Formerly Bina Dehgam Transmission Company Ltd)	0.05	0.05
Others		
205800000 (Previous year 95599000) shares of Rs 10/- each of Powerlinks Transmission Ltd	205.80	95.60
	205.85	95.65
	217.85	107.65
TOTAL (A)	2139.41	1882.42

B. Non-trade investments (Unquoted)

500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Bhadravati (Rs. 5000/-)		
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Itarsi (Rs.5000/-)		
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Nagpur (Rs.5000/-)		
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Jabalpur (Rs. 5000/-)		
500 Fully paid up shares of Rs 10/- each in POWERGRID Primary Consumer Co-operative Society Rourkela (Rs 5000/-)		

TOTAL (B)	0.00	0.00
GRAND TOTAL (A+B)	2139.41	1882.42

Note : 137827200 shares (Previous year 95599000) of Powerlinks Transmission Ltd. held by the Company have been pledged as continuous security with financial institutions against financial assistance obtained by Powerlinks Transmission Ltd. Further 67972800 shares have been offered for pledge by the Company for which confirmation is awaited.

Schedule 10 - Inventories

		(Rupees in Crore)		
Description	RLDC Transmission & ULDC & Others		As at 31st March, 2006	As at 31st March, 2005
(As taken, valued and certified by the Management)				
Components,Spares & other spare parts				
i) Transmission Inventory				
Towers		46.87	46.87	46.98
Conductors		13.36	13.36	11.33
Other Line Materials		29.50	29.50	24.00
ii) Sub-Station Equipments/Spares		48.62	48.62	51.84
iii) HVDC Equipments/spares		27.55	27.55	32.92
iv) ULDC Spares				0.25
v) Telecom Spares		0.64	0.64	0.71
vi) Other Stores	0.74	12.04	12.78	14.37
Consumable stores		0.58	0.58	1.41
Loose tools	0.06	0.47	0.53	0.65
	0.80	179.63	180.43	184.46
Less Provision for Shortages		0.19	0.19	0.19
	0.80	179.44	180.24	184.27

Schedule 11 - Sundry Debtors

				(Rupees in Crore)	
Description	RLDC Transmission & ULDC & Others		As at 31st March, 2006	As at 31st March, 2005	
Debts Outstanding exceeding Six Months					
Considered Good	0.20	3.68	3.88		323.36
Considered Doubtful		79.18	79.18		97.91
	0.20	82.86		83.06	421.27
Others					
Considered Good	25.13	296.59	321.72		127.34
Considered Doubtful		0.91	0.91		
	25.13	297.50		322.63	127.34
	25.33	380.36		405.69	548.61
		80.09		80.09	97.91
Less: Provision for bad & doubtful debts	25.33	300.27		325.60	450.70

(The debtors are unsecured except to the extent of Rs 251.17 crores (Previous year Rs 245.43 crores) for which Letters of Credit held by the Company from SEBs as on 31st March, 2006)

Schedule 12 - Cash & Bank Balances

(Rupees in Crore)				
Description	RLDC Transmission & ULDC	Others	As at 31st March, 2006	As at 31st March, 2005
Cash,Stamps and Imprest	0.01	0.12	0.13	0.15
Drafts/Cheques in Hand {Current Year NIL (Previous Year Rs. 18778)}				
Remittance in transit		0.50	0.50	23.04
Balance with scheduled banks-				
-In Current Accounts/Flexi deposit Account {Including Rs 37.11crore (Previous year Rs 52.15 crore) lying in designated accounts meant for specific disbursal}	24.91	286.76	311.67	217.77
In Term Deposits	3.74	273.01	276.75	363.01
	28.66	560.39	589.05	603.97

Balance In Non-Scheduled Banks [Bank Balance of Rs NIL (Previous year Rs 5144.00)]
{(maximum Bank Balance Rs.5144.00 (Previous year Rs 597161.00) with DA Afghanistan Bank, Kabul)}

Schedule 13 - Other Current Assets

Description			(Rupees in Crore)	
	RLDC & ULDC	Transmission & Others	As at 31st March, 2006	As at 31st March, 2005
Interest accrued on Investments (Bonds)		90.13	90.13	74.90
Interest accrued on Employee loans	3.17	56.78	59.95	57.03
Others		5.36	5.36	2.92
	3.17	152.27	155.44	134.85

Schedule 14 - Loans & Advances

Description			(Rupees in Crore)	
	RLDC & ULDC	Transmission & Others	As at 31st March, 2006	As at 31st March, 2005
a) Loans to				
-Employees	5.67	90.23	95.90	105.94
-Long Term Advances(Under securitisation scheme)		154.25	154.25	154.25
-Others		0.13	0.13	0.49
	5.67	244.61	250.28	260.68
b) Recoverable from Subs. of Sch. Banks		94.00	94.00	78.23
Less: Adhoc Provision held for final settlement of the matter (Refer Note No.9 (e) in Schedule 28)				50.00
Transfer/Adjustment from Capital reserve (Ref Note No.9 (c) in Schedule 28)		94.00	94.00	28.23
c) Lease Receivables(State sector ULDC)	900.06		900.06	675.06
d) Advances				
Advances recoverable in cash or in kind or for value to be received				
Contractors & Suppliers (Including Material issued on loan)	0.33	10.77	11.10	1.03
Employees	0.25	7.72	7.97	7.91
Claims recoverable		3.43	3.43	3.57
Others	3.92	79.67	83.59	76.67
	4.50	101.59	106.09	89.18
Less: Provision for bad and doubtful Advances and Claims	0.05	5.41	5.46	4.32
	4.45	96.18	100.63	84.86
Balance with Customs, Port Trust and other authorities	0.19	17.02	17.21	18.35
Advance Tax & TDS	0.74	204.83	205.57	170.30
	5.38	318.03	323.41	273.51
TOTAL	911.11	562.64	1473.75	1237.48
Particulars of Loans and Advances				
Secured	13.48	85.05	98.53	112.37
Unsecured Considered Good	897.63	477.59	1375.22	1125.11
Considered doubtful	0.05	5.41	5.46	54.32
	911.16	568.05	1479.21	1291.80
Less: Provision for Bad & Doubtful Claims	0.05	5.41	5.46	54.32
	911.11	562.64	1473.75	1237.48
Due from Directors & Officers of the company				
Directors		0.05	0.05	0.03
Officers		9.44	9.44	9.91
Directors Maximum Amount		0.09	0.09	0.04
Officers Maximum Amount		11.39	11.39	12.48

Schedule 15 - Current Liabilities

Description			(Rupees in Crore)	
	RLDC & ULDC	Transmission & Others	As at 31st March, 2006	As at 31st March, 2005
Sundry Creditors				
For capital expenditure	41.91	904.01	945.92	385.62
Other goods and services	8.66	89.46	98.12	87.24
	50.57	993.47	1044.04	472.86
Advance from Customers	0.16	833.29	833.45	890.91
Deposits Retention money from contractors and others.	37.24	550.40	587.64	463.95
Less: Investments held as security		0.34	0.34	0.29
	37.40	1383.35	1420.75	1354.57
Investor Education and Protection Fund:				
Un-paid (Un-claimed) matured bonds		0.02	0.02	0.17
Payable to Bond holders (Refer Note No.9(b) & (c)) of Schedule 28)		15.77	15.77	
Other Liabilities	51.51	109.13	160.64	119.08
Interest Accrued But Not Due On Loans From				
Government of India		3.93	3.93	4.40
Indian Banks, Financial Institutions & Corporations		47.30	47.30	50.86
Foreign Banks & Financial Institutions		63.24	63.24	47.38
Secured/Unsecured redeemable Bonds		207.36	207.36	180.09
Others		0.01	0.01	0.02
		321.84	321.84	282.75
Total	139.48	2823.58	2963.06	2229.43

Schedule 16 - Provisions

Description			(Rupees in Crore)	
	As at 31st March, 2006		As at 31st March, 2005	
Taxation (Including interest on Tax & FBT)				
As per last balance sheet	156.49		156.82	
Additions during the year	92.99		64.81	
Amounts utilised/paid during the year	66.64		65.14	
	182.84		156.49	
Retirement Benefits				
As per last balance sheet	74.54		48.62	
Additions during the year	40.19		57.27	
Amounts utilised/paid during the year			31.35	
	114.73		74.54	
Exgratia				
As per last balance sheet	4.11		4.10	
Additions during the year	4.18		4.11	
Amounts paid during the year	4.11		4.10	
	4.18		4.11	
Others				
As per last balance sheet	0.01		14.02	
Additions during the year			0.01	
Amounts utilised/paid during the year	0.01		14.02	
	0.00		0.01	
Proposed Final Dividend				
As per last balance sheet	96.00		125.00	
Additions during the year	215.45		184.00	
Amounts paid during the year	96.00		213.00	
	215.45		96.00	

Schedule 16 - Provisions (Contd.)

(Rupees in Crore)

Description	As at 31st March, 2006	As at 31st March, 2005
Dividend Tax		
As per last balance sheet	13.46	16.02
Additions during the year	30.21	25.60
Amounts paid during the year	13.46	28.16
	30.21	13.46
Interest & Principal Liability towards bonds (Refer Note No.9 (c) of Schedule 28)		
As per last balance sheet		
Additions during the year	130.99	
Amounts paid during the year		
	130.99	
TOTAL	678.40	344.61

Schedule 17 - Miscellaneous Expenses (To the extent not written off or adjusted)

(Rupees in Crore)

Description	As at 31st, March, 2005	Additions / Adjustments during the Year	Deductions during the year	As at 31st, March, 2006
Deferred Revenue Expenditure	29.69	-0.10	8.86	20.73
TOTAL	29.69	-0.10	8.86	20.73
Previous Year	39.00		9.31	29.69

Schedule 18 - Contingent Liabilities

(Rupees in Crore)

Description	RLDC & ULDC	Transmission & Others	As at 31st March, 2006	As at 31st March, 2005
1 Claims against the Company not acknowledged as debt in respect of				
-Arbitration / Court Cases		1108.86	1108.86	923.08
-Land / Crop/Tree Compensation cases		247.41	247.41	258.24
-Others		189.54	189.54	233.17
2 Disputed Tax Demands-Income Tax		54.10	54.10	81.45
3 Disputed Tax Demands-Others		127.96	127.96	127.14
4 Continuity Bonds with Custom Authorities		943.54	943.54	775.38
5 Others	23.65	116.75	140.40	46.55
Total	23.65	2788.16	2811.81	2445.01

Schedule 19 - Revenue from Operations

(Rupees in Crore)

Description	RLDC & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Revenue from Transmission Charges	127.30	2989.87	3117.17	2511.83
Less: Advance Against Depreciation		213.36	213.36	216.10
	127.30	2776.51	2903.81	2295.73
Add: Revenue Recognised out of AAD		1.46	1.46	1.10
	127.30	2777.97	2905.27	2296.83
Income from Short Term Open Access		39.08	39.08	33.84
Consultancy, Project Management and Supervision Fees		154.99	154.99	127.96
Revenue from Telecom		38.44		26.54
Less: Interdivisional Transfer		1.02		
		37.42	37.42	
Reimbursement of RLDC Expenses (Refer Note No.2(b) of Schedule-28)	8.58		8.58	27.90
	135.88	3009.46	3145.34	2513.07

Schedule 20 - Provisions written Back

(Rupees in Crore)

Description	RLDC & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Adhoc provision of CANFINA matter (Refer Note No.9(e) of Schedule 28)		50.00	50.00	-
Doubtful debts		17.83	17.83	-
Others	0.04	0.06	0.10	1.24
	0.04	67.89	67.93	1.24

Schedule 21 - Other Income

(Rupees in Crore)

Description	RLDC & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Dividend on Trade Investments		0.96	0.96	0.96
Interest From				
Govt. Securities				
8.5% Tax Free Bonds		201.93	201.93	145.78
Taxable Bonds [TDS Rs. 0.26 crore (Previous year Rs. 0.25 Crore)]		5.44	5.44	5.44
Loan to State Govt. in settlement of dues from Customers		13.11	13.11	27.40
PD A/c from GOI				26.03
Indian Banks [TDS Rs. 6.54 crore (Previous Year Rs. 3.15 crore)]	1.46	23.09	24.55	7.47
Others	0.58	6.87	7.45	8.20
	2.04	250.44	252.48	220.32
Profit on fixed assets Sold		0.01	0.01	0.01
Deferred Income (Transferred from Grants-in-aid)	5.52	11.74	17.26	17.27
Short Term Open Access-Other Charges	14.00		14.00	11.33
Transfer from Insurance Reserve on A/c of Losses of Fixed Assets		0.87	0.87	1.08
Lease Income-State Sector ULDC	38.90		38.90	47.05
Reimbursement from Joint Venture Companies				0.22
Surcharge	0.21	19.34	19.55	18.62
Hire charges for equipments		0.22	0.22	0.35
Miscellaneous income	0.15	13.14	13.29	13.25
	60.82	296.72	357.54	330.46
Less: Income transferred to incidental expenditure during construction-Schedule 27(E)	0.21	16.29	16.50	13.49
TOTAL	60.61	280.43	341.04	316.97

Schedule 22 - Employees' Remuneration and Benefits

(Rupees in Crore)

Description	RLDC & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Salaries, wages, allowances & benefits	18.80	250.98	269.78	244.95
Contribution to provident and other funds	2.56	33.29	35.85	37.69
Welfare expenses	3.38	49.90	53.28	41.86
	24.74	334.17	358.91	324.50
Less: Transferred to Incidental Expenditure during Construction-Schedule 27(A)	0.81	97.52	98.33	93.07
	23.93	236.65	260.58	231.43
Less: Recoverable from MOP on account of APDRP		3.77	3.77	4.25
	23.93	232.88	256.81	227.18

Schedule 23 - Transmission, Administration and other Expenses

(Rupees in Crore)

Description	RLDC Transmission & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Repair & Maintenance				
Buildings	0.74	9.19	9.93	9.88
Plant & Machinery				
Sub Station	2.93	26.14	29.07	26.90
Transmission lines	0.46	10.50	10.96	12.98
Construction equipment		0.01	0.01	0.10
Others	0.71	8.95	9.66	8.63
	4.10	45.60	49.70	48.61
Power charges	1.87	38.09	39.96	35.81
Less: Recovery from contractors	0.01	0.35	0.36	0.21
	1.86	37.74	39.60	35.60
Stores & spares consumed		0.01	0.01	0.01
Water charges	0.05	0.23	0.28	0.38
Right of Way charges(Telecom)		0.17	0.17	0.24
	6.75	92.94	99.69	94.72
Training & Recruitment expenses	0.16	5.62	5.78	3.83
Less: Fees for training and application		0.30	0.30	0.25
	0.16	5.32	5.48	3.58
Legal expenses	0.09	4.03	4.12	4.46
Professional charges(Including TA/DA)	0.03	1.93	1.96	1.57
Consultancy expenses(Including TA/DA)		0.98	0.98	0.44
Communication expenses	1.25	6.89	8.14	8.88
Travelling & Conveyance Expenses	1.94	34.84	36.78	30.94
Foreign travel	1.28	3.03	4.31	4.29
	3.22	37.87	41.09	35.23
Tender expenses	0.04	1.96	2.00	2.19
Less: Sale of tenders		1.31	1.31	1.06
	0.04	0.65	0.69	1.13
Remuneration to auditors				
Audit Fees		0.19	0.19	0.06
Tax Audit Fees		0.04	0.04	0.02
In Other Capacity		0.07	0.07	0.18
Out of pocket Expenses	0.02	0.25	0.27	0.35
	0.02	0.55	0.57	0.61
Advertisement and publicity	0.04	4.67	4.71	2.86
Printing and stationery	0.17	3.43	3.60	3.36
EDP hire and other charges	0.14	1.20	1.34	1.42
Entertainment expenses	0.07	0.93	1.00	0.61
Brokerage & Commission		0.10	0.10	0.04
Donations				1.10
Research & Development expenses		0.99	0.99	5.03
Cost Audit Fees		0.03	0.03	
Rent	1.71	3.96	5.67	4.56
Miscellaneous expenses	1.66	13.00	14.66	12.50
Security Expenses	0.71	18.61	19.32	17.21
Hiring of Vehicle	0.37	23.96	24.33	21.47
Insurance	0.02	13.43	13.45	12.68
Rates and taxes	9.25	4.17	13.42	13.01
Non operating expenses		0.86	0.86	0.28
Transit Accomodation Expenses	0.03	1.13	1.16	0.88
Less : Recovery for usage		0.13		0.21
	0.03	1.00	1.03	0.67
	18.98	148.56	167.54	152.70
	25.73	241.50	267.23	247.42

Schedule 23 - Transmission, Administration and other Expenses (Contd.)

(Rupees in Crore)

Description	RLDC Transmission & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Less: Transferred to Incidental Expenditure during Construction-Sch. 27(B)	1.12	49.43	50.55	49.19
	24.61	192.07	216.68	198.23
Less: Recoverable from MOP on account of APDRP		1.75	1.75	1.91
	24.61	190.32	214.93	196.32
Surcharge written off		7.31	7.31	
Loss on Disposal/Write off of Fixed Assets		0.12	0.12	1.00
RO Expenses allocated to RLDCs	1.66	-1.66		
Corporate Expenses allocated to RLDCs/ULDCs	2.57	-2.57		
TOTAL	28.84	193.52	222.36	197.32
Stores & spares consumption included in repair and maintenance	0.11	11.61	11.72	12.64

Schedule 24 - Provisions

(Rupees in Crore)

Description	RLDC Transmission & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Shortage in Stores				0.12
Doubtful debts loans and advances	0.05	0.40	0.45	59.73
Doubtful Insurance Claims		0.83	0.83	1.10
Doubtful Advances for Construction				4.47
Interest and Principal liability of Bonds (Refer Note No.9 (c) of Schedule 28)		130.99	130.99	
Others		0.50	0.50	0.16
TOTAL	0.05	132.72	132.77	65.58

Schedule 25 - Interest and Finance Charges

(Rupees in Crore)

Description	RLDC Transmission & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Interest on Loan from				
Government of India		9.38	9.38	10.34
Indian Banks,Financial Institutions & Corporations	20.74	175.72	196.46	194.71
Foreign Banks and Financial Institutions	30.39	182.08	212.47	178.99
Secured/Unsecured redeemable Bonds	15.31	486.82	502.13	443.66
Others		0.31	0.31	0.55
	66.44	854.31	920.75	828.25
Add/Less: ERV as adjustment to borrowing cost (Refer Note No.6(a) of Schedule 28)	-0.47	12.39	11.92	-6.95
	65.97	866.70	932.67	821.30
Finance Charges				
Rebate to Customers	2.53	47.32	49.85	45.48
Incentive to SEBs under Securitisation		85.10	85.10	78.41
Commitment charges	0.14	5.16	5.30	6.86
Foreign Exchange Rate Variation		0.11	0.11	0.16
Other finance charges	9.52	40.59	50.11	46.53
	12.19	178.28	190.47	177.44
	78.16	1044.98	1123.14	998.74
Less: Transferred to Incidental Expenditure during Construction-Schedule 27 (D)	11.10	164.59	175.69	190.05
TOTAL	67.06	880.39	947.45	808.69

Schedule 26 - Prior Period Adjustment (Net)

(Rupees in Crore)

Description	RLDC Transmission & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Income				
Depreciation written back		0.38	0.38	
Transmission charges	0.14	5.65	5.79	10.25
ERV as adjustment to borrowing cost				30.85
Decrease in depreciation cost due to AS11/AS16 (Refer Note No. 7 of Schedule 28)	0.57	5.99	6.56	
Others	0.05	2.58	2.63	2.87
	0.76	14.60	15.36	43.97
Expenditure				
Power charges		0.60	0.60	0.80
Rates and taxes		0.13	0.13	0.03
Depreciation	0.02	1.07	1.09	3.51
Transmission charges written back on account of revision of tariff	1.04	24.29	25.33	0.48
Interest		12.16	12.16	1.03
ERV as adjustment to borrowing cost (Refer Note No.7 of Schedule 28)	1.97	44.51	46.48	1.03
Others	0.01	1.92	1.93	10.90
	3.04	84.68	87.72	17.78
Prior period expenditure/(income)(Net)	2.28	70.08	72.36	-26.19
Less: Transferred to Incidental Expenditure during Construction-Schedule 27	0.23	-0.61	-0.38	1.24
	2.05	70.69	72.74	-27.43

Schedule 27 Incidental Expenditure During Construction

(Rupees in Crore)

Description	RLDC Transmission & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
A. Employees Remuneration & Benefits				
Salaries, wages, allowances and benefits	0.61	73.12	73.73	70.52
Contribution to provident and other funds	0.10	9.60	9.70	10.40
Welfare expenses	0.10	14.80	14.90	12.15
Total (A)	0.81	97.52	98.33	93.07
B. Other Expenses				
Repairs and Maintenance				
Buildings	0.02	2.08	2.10	2.62
Construction equipment				0.09
Others	0.02	1.71	1.73	1.49
	0.04	3.79	3.83	4.20
Power charges	0.01	3.24	3.25	3.43
Less: Recovered from contractors				0.12
	0.01	3.24	3.25	3.31
Water charges		0.04	0.04	0.03
Training & recruitment Expenses	0.01	3.30	3.31	2.05
Legal expenses		1.91	1.91	1.73
Professional charges		0.82	0.82	0.44
Consultancy expenses		0.33	0.33	0.80
Communication expenses	0.03	2.74	2.77	3.21
Travelling & Conv.exp. (Including Foreign Travel)	0.38	14.01	14.39	14.68
Tender expenses		1.34	1.34	1.55
Less: Income from sale of tenders		0.88	0.88	0.66
		0.46	0.46	0.89
Payment to Auditors		0.35	0.35	0.32
Advertisement and Publicity		1.73	1.73	1.21

Schedule 27 Incidental Expenditure During Construction (Contd.)

(Rupees in Crore)

Description	RLDC Transmission & ULDC	Transmission & Others	For the Year Ended 31st March, 2006	For the Year Ended 31st March, 2005
Printing and stationery	0.01	1.50	1.51	1.43
EDP hire and other charges		0.51	0.51	0.56
Entertainment expenses	0.01	0.40	0.41	0.27
Brokerage and commission		0.02	0.02	0.01
Rent		1.28	1.28	1.15
Miscellaneous expenses	0.53	3.69	4.22	3.66
Security Expenses	0.01	2.42	2.43	2.22
Hiring of Vehicles	0.07	5.87	5.94	6.25
Insurance		0.06	0.06	0.12
Rates and taxes		0.25	0.25	0.56
Transit Accommodation Expenses	0.02	0.34	0.36	0.15
Less: Income from guest house		0.03	0.03	0.08
	0.02	0.31	0.33	0.07
Non Operation Expenses		0.40	0.40	0.02
	1.12	49.43	50.55	49.19
Total (B)	1.12	49.43	50.55	49.19
Prior Period adjustment (net)	0.23	-0.61	-0.38	1.24
Total (including prior period)	1.35	48.82	50.17	50.43
(Includes amount transferred to DRE)				
C. Depreciation	0.12	5.82	5.94	5.26
D. Interest and Finance Charges				
Interest on Loans from				
Government of India				
Indian Banks, Financial Institutions and Corporations	0.29	16.10	16.39	21.31
Foreign Banks and Financial Institutions	6.29	24.05	30.34	21.75
Secured/Unsecured Redeemable Bonds	1.85	105.09	106.94	131.71
Add/Less: ERV as adjustment to borrowing cost (Refer Note No.6(a) of Schedule 28)	0.71	6.63	7.34	-1.30
	9.14	151.87	161.01	173.47
Finance Charges				
Commitment charges	0.07	4.87	4.94	6.64
Other Finance Charges	1.89	7.85	9.74	9.94
	1.96	12.72	14.68	16.58
Total (D)	11.10	164.59	175.69	190.05
E. Less: Other Income				
Interest from				
Indian banks	0.04	12.49	12.53	0.12
Others	0.16	2.75	2.91	12.27
Sub-Total	0.20	15.24	15.44	12.39
Profit on fixed assets sold				
Miscellaneous income	0.01	1.04	1.05	0.96
Hire charges		0.01	0.01	0.14
	0.21	16.29	16.50	13.49
Total (E)	0.21	16.29	16.50	13.49
GRAND TOTAL (A+B+C+D-E)	13.17	300.46	313.63	325.32

SCHEDULE 28 : NOTES ON ACCOUNTS

1. The Transmission Systems situated in Jammu and Kashmir associated with National Hydroelectric Power Corporation Ltd. (NHPC) have been taken over by the Company w.e.f. 01.04.93 as mutually agreed upon with NHPC pending completion of legal formalities.
2.
 - a) The Regional Load Despatch Centres (RLDCs) of Central Electricity Authority were transferred to the Company (along with associated manpower) during the earlier years as per the orders of Ministry of Power, Government of India. The Assets of RLDCs are being used by the company pending transfer of ownership and determination of cost of assets so taken over.
 - b) CERC, in its Orders in respect of fees and charges of RLDCs, has replaced the RLDC charges by the tariff recovery in respect of NRULDC, SRULDC and NERULDC w.e.f. the date of commissioning of respective ULDC. Till the year 2004-05, tariff of commissioned ULDCs were adjusted by the amount of reimbursement of aforesaid RLDCs. However, in view of issuance of specific order, expenses for the year in respect of these RLDCs are considered as attributable to ULDC activity. Further, in case of ERLDC and WRLDC the reimbursement is accounted for upto 31/08/05 and 31/01/2006 respectively since the relevant ULDCs were commissioned during the current financial year.
 - c) In view of the above, presentation of accounts of RLDC activities in financial statements has been replaced with consolidated accounts of ULDCs and RLDCs
3.
 - a) The land owned by the Company has been classified into freehold and leasehold to the extent possible based on available documentation and the balance has been shown as unclassified.
 - b) In certain cases including the entire land in state of Jammu & Kashmir, the conveyancing of title to the freehold land and execution/registration of lease agreement (value not ascertained) in favour of the company is pending completion of legal formalities.
 - c) Leasehold land includes Rs. 7.64 crore (previous year Rs.7.64 crore) towards cost of land acquired in Katwaria Sarai, New Delhi. As the land is acquired on perpetual lease and does not have a limited useful life, no depreciation is being charged.
 - d) Value of buildings includes Rs.7.27 crore (previous year Rs.7.27 crore) for 28 flats at Mumbai, for which registration in favour of the company is pending.
 - e) Freehold land includes Rs. 44.10 crore (previous year Rs. 46.04 crore) for land acquired for Corporate Office / Residential Complex at Gurgaon for which transfer deed in favour of the company is yet to be executed.
 - f) Freehold land includes Rs. 6.62 crore (Previous year Rs. 6.62 crore) and Rs. 0.58 crore (previous year Rs. 0.58 crore) for switchyards at Faridabad and Kayamkulam Power Station respectively for land which are yet to be transferred in company's name by NTPC.
4. Pending reconciliation, materials amounting to Rs.17.58 crore (previous year Rs.15.00 crore) in commissioned lines is shown as construction stores lying with contractors.
5. Fixed Assets include company's share of Rs. 5.62 crore (previous year Rs.5.62 crore) in common services and facilities of 400 KV sub-stations of Uttar Pradesh State Electricity Board (UPSEB) and Rajasthan State Electricity Board (RSEB) pending execution of formal agreements for joint ownership.
6.
 - a)
 - (i) Pursuant to ASI 10 issued by the ICAI on AS 16 regarding 'Borrowing Costs', interest cost for the year is adjusted by Exchange Rate Variation Loss (to the extent it does not exceed domestic borrowing cost) amounting to Rs. 4.58 crore (net of Rs. 7.34 crore loss for the construction period) {previous year gain of Rs. 5.65 crore (net of Rs. 1.30 crore gain for the construction period)} towards loan liabilities attributable to fixed assets not acquired from outside India.
 - (ii) An amount of Rs. 61.17 crore (previous year Rs. 61.55 crore towards exchange rate variation loss) being remaining exchange rate variation gain has been adjusted in the respective carrying amount of Fixed Assets / Capital Work in Progress.
 - b) Other Finance charges for the year include an amount of Rs. 0.11 crore (previous year Rs. 0.16 crore) being the exchange rate variation loss on Current Assets. Other Income for the year includes an amount of Rs .0.04 crore (previous year Rs. 0.08 crore) being the exchange rate variation gain on current assets.
7. During the financial year 2004-05, the accounting policy for Foreign Exchange Rate Variation was altered in accordance with the clause 4(e) of AS-16 on "Borrowing Costs" (read with ASI-10 thereon) only to the extent it pertains to loans contracted after 01.04.2000. In view of the opinion of ICAI, FERV on entire loans contracted prior to 01.04.2000 are also accounted for in accordance with the aforesaid method, including on the loans taken over from transferor companies through "de-jure transfer of assets and liabilities" to the extent details are available.
Consequent upon such change exchange rate variation loss as referred above included in Gross Block of the fixed assets till 31.3.2005 amounting to Rs.46.48 crore (previous year gain Rs. 30.85 crore) has been reversed along with decrease in accumulated depreciation thereon amounting to Rs.6.56 crore (previous year Rs. 1.03 crore increase) in accumulated depreciation with the resultant effect thereof in increase in interest cost and decrease in depreciation amounting to Rs.46.48 crore and Rs.6.56 crore respectively under Prior Period Adjustments (Net).
8.
 - a)
 - i) Balances in Loans & Advances and Material with Contractors are confirmed/reconciled except in some cases.
 - ii) Balances in Sundry Creditors and Advances from Customers are subject to confirmation from the parties.
 - iii) Balances in Sundry Debtors are confirmed/reconciled except in some cases.

- b) In the opinion of the management, the value of Current Assets, Loans and Advances, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
9.
 - a) During the year 1991-92, pursuant to a contract with CANBANK FINANCIAL SERVICES LTD. (CANFINA), the company allotted Bonds worth Rs. 120 crore and placed a deposit of Rs. 110.80 crore with them (net of front end fee of Rs. 9.20 crore) as a condition of the same contract. CANFINA defaulted on deposit repayment after making repayment of Rs. 16.80 crore. Pursuant to such default in 1993-94, the company forfeited bonds worth Rs. 103.20 crore against deposit of Rs. 94 crore and write-back of front-end fee Rs. 9.20 crore. Subsequently, during 1994-95, the company restored deposits of Rs. 94 crore by credit to Capital Reserve in accordance with legal advice.
 - b) During 1998-99, on maturity of Rs. 16.80 crore worth of bonds not forfeited (equivalent to amount realised from deposits) the company repaid Rs. 1.03 crore to third parties duly recognized by the company as holders, and in exercise of its lien on balance Rs. 15.77 crore, set it off against deposits with CANFINA.
 - c) During the year, in the matter of Canbank Mutual Fund (CBMF), one of the purported transferee of bonds worth of Rs.48 crore by Canfina, Hon'ble Delhi High court has issued a verdict in favour of CBMF pursuant to which an aggregate amount of Rs.130.99 crore (including Rs.97.79 crore towards interest) has been provided after adjusting Rs.14.80 crore, amount of bonds not forfeited.
In view of above, Bonds worth Rs.15.77 crore which were set off against deposits with Canfina in the year 1998-99, is now being shown as liability, by restoring deposit with Canfina to Rs.94 crore. The capital reserve of Rs.94 crore has been adjusted against / reduced from the aforesaid deposit.
 - d) Pending litigation, liability towards other purported transferees viz Canara bank (Bonds worth Rs.40 crore) and Citi bank (Bonds worth Rs.30 crore) has been included under Contingent Liabilities as in the matter of Citi bank, the verdict given by Hon'ble Delhi High court is in favour of the company and is being contested, and the matter in respect of Canara bank, is pending for hearing before the Hon'ble Delhi High Court.
 - e) In view of the above an ad hoc provision of Rs.50 crore made during the financial year 2001-02 towards final settlement of the matter has been written back during the year.
 - f) The company has neither accounted for interest income of Rs.11.28 crore (previous year Rs.9.39 crore), cumulative Rs.158.48 crore (previous year Rs.135.87 crore), on deposit with Canfina nor has accounted for cumulative interest of Rs.1.15 crore payable up to maturity on bonds worth Rs.0.97 crore,
10. Share Capital Deposit of Rs.38.81 crore (previous year Rs. 38.81 crore) represents the value of shares to be allotted against purchase consideration payable to Government of India for ex-NHPC lines.
11. Cash & Bank Balance includes Rs.18.59 crore (previous year Rs.13.10 crore) on account of deduction of Tax at Source on perquisites to employees as per the provisions of the Income Tax Act, 1961 and deposited in a separate bank account as per Orders of the Hon'ble Kolkata High Court.
12. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances and payments) is Rs.6025.79 crore (previous year Rs. 5048.43 crore).
13. No payment is due for more than 30 days in respect of the purchases / services made from small scale/ancillary industries.
14. No provision has been made for tax demands amounting to Rs.182.06 crore (previous year Rs. 208.59 crore) and other demands (amount not ascertainable), for which appeals / litigation are pending, and the same are shown as Contingent Liabilities.
15.
 - a) Central Electricity Regulatory Commission (CERC), constituted under erstwhile Electricity Regulatory Commission Act, 1998, issued orders in December, 2000 with respect to the norms, principles and availability based tariff. An appeal was filed by the Company against the above orders before the Hon'ble Delhi High Court, which is yet to be disposed. Pending disposal of appeal, CERC notified tariff norms, for the block period April, 2001 to March, 2004 and for the block period April, 2004 to March, 2009, have been followed by the company for recognition of income. Since the subject matter of the appeal is to restore certain components of tariff at par with the erstwhile GOI norms, which were favourable than CERC norms, the impact of appeal shall not result in any reduction in revenue.
 - b) During the year final tariff orders for some of the transmission lines/systems have been issued by CERC and accordingly the transmission income has been recalculated and necessary adjustment has been carried out. However, the final tariff orders of certain transmission lines/systems are still pending.
 - c) Transmission income from NER constituents and other customers in NER has been accounted at Rs.192.24 crore (Previous year Rs.179.19 crore) @ 31.61618 paise per unit (Company's share out of 35 paise per unit) as frozen by CERC up to 31.3.2004. The same tariff has been allowed by CERC to be continued vide its order dated 16/01/2004.
In furtherance, CERC vide its order dated 09/05/2006 has revised Company's share of income in Unified Common Pool Transmission Tariff (UCPTT) of 35 paise per unit as referred above w.e.f. Feb'2000 and directed North Eastern Regional Power Committee (NERPC) to issue details of net amount payable/receivable to/from different agencies. Pending such detailed calculation and issuance of necessary order by NERPC, tariff has been accounted for as in earlier years.
 - d) Govt. of India vide order dated 16/02/2005 has directed the company to approach CERC for fixation of tariff after restoration of depleted equity of Rs. 646 crore. CERC vide Order dated 11/05/2005 has rejected the company's petition in the aforesaid matter, against which an Appeal was filed with the Hon'ble Appellate Tribunal for Electricity. The order of the CERC has been set aside by the Hon'ble Tribunal vide its order dated 16th May 2006, and has remitted the matter to CERC for re-determination of

- tariff for the period commencing from 01/04/2004. Pending determination of tariff by CERC and uncertainties involved, increase in transmission charges has not been considered during the year.
- e) Pending decision of CERC, on the issue of delay in commercial operation of a transmission line, the tariff, pertaining to amount notionally capitalised for the delayed period, has not been recognised as income. The impact shall be given on finalisation of matter by CERC
- 16 a) During the year the Company has continued to provide depreciation at the rates notified for the purpose of recovery of tariff, by Central Electricity Regulatory Commission (a body constituted under erstwhile Electricity Regulatory Commission Act, 1998 and recognised under the Electricity Act, 2003) which are different from the rates specified under Companies Act, 1956. The issue of charging depreciation at rates different from the rates specified under Companies Act has been referred by CAG to Ministry of Power and the same is pending for disposal with Ministry of Power, Govt. of India. However, MOP has issued tariff policy which provides that rates of depreciation notified by CERC would be applicable for the purpose of tariffs as well as accounting. Pending formalization of norms by CERC in accordance with the Tariff Policy, the rates notified under present Tariff Norms are considered appropriate for charging depreciation for the year. However, by charging depreciation at the aforesaid rates the depreciation charge for the year is lower by Rs. 465.24 crore (Previous year Rs.390.02 crore) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.
- b) Further the company has been providing depreciation in accordance with the relevant accounting policy in respect of the assets for which rates are not specified by the CERC/competent government as stated above.
17. Some of the beneficiaries have not reimbursed the Income Tax recovery billed for the period up to 31.03.2006. Considering this aspect as significant uncertainty of recovery, Income- tax recovery billed to such beneficiaries amounting to Rs.1.41 crore (Grossed up Rs. 1.54 crore) {previous year Rs.1.41 crore (Grossed up Rs.1.53 crore)} has not been accounted for.
- 18 a) Pending finalisation of JV Agreement, a sum of Rs.2.97 crore incurred towards Koldam Transmission Project is shown as recoverable from the proposed joint venture company of the project.
- b) A part of the transmission system under Western Region System Strengthening Scheme II is to be executed through Independent Power Transmission Company (IPTC) route, as per directions of CERC, for which bids for participation have been invited. Pending selection of IPTC entity, expenditure of Rs. 4.13 crore incurred for that part of the transmission system has been kept under CWIP.
19. Pending finalisation of Memorandum of Understanding with Govt. of India, the expenditure amounting to Rs. 1.69 crore incurred for Kargil (Leh) has been shown recoverable from GOI.
- 20 In continuation of the implementation of the Government of India scheme for one time settlement of the dues of SEBs (including surcharge) Government of Bihar and Jharkhand in terms of the Agreement with the Ministry of Power (Govt. of India) has converted old outstanding dues of Rs.35.28 crore and Rs.111.51 crore respectively into 8.5% tax free bonds during the year. Interest amounting to Rs.13.49 crore (including interest from 1.10.2001 to 31.3.2005 amounting to Rs. 10.49 crore) in respect of Bihar and Rs.42.66 crore (including interest from 1.10.2001 to 31.3.2005 amounting to Rs.33.18 crore) in respect of Jharkhand has been recognised as income during the year. In accordance with securitisation scheme, incentive for the period from 1.4.2002 to 31.3.2005, amounting to Rs. 3.18 crore in respect of Bihar & Rs. 11.15 crore in respect of Jharkhand has been charged to profit and loss account.
21. Other Income includes Rs.17.26 crore (previous year Rs. 17.53 crore) being the amount transferred from Grants- in- Aid (included under "Reserves & Surplus") as per Accounting Policy No. 2.1.
22. During the year the company has issued XVIII Series of Bonds aggregating to Rs. 999 crore. Trust Deed in respect of these bonds has not been executed till the finalization of the financial statement. In accordance with the past practice, the bonds though issued on secured terms, are shown as unsecured.
23. Impairment analysis of assets of transmission activity of the company by evaluation of its cash generating units, was carried out by an outside agency in the year 2004-05, and since recoverable amount was more than the carrying amount thereof, no impairment loss was recognised in view of AS-28 as at the date of balance sheet. In the current year, there is no indication which requires to re-estimate the recoverable amount of the assets. As regards telecom activities of the company the cash generating unit in terms of the Accounting Standard is yet to be completed and business plan is in the process of finalisation to ascertain the future cash inflows, the Telecom assets will be considered for impairment analysis afterwards.
24. Cash equivalent of Deemed Exports Benefits availed, in respect of supplies effected for East South Inter connector-II Transmission Project (ESI) and Sasaram Transmission Project (STP), was refunded in accordance with the decision taken in the meeting taken by Director General of Foreign Trade (DGFT) on 22.02.2002 in view of non availability of World Bank loan for the entire supplies in respect of ESI project and for the supplies prior to March 2000 in respect of STP. Consequent upon World Bank agreeing on 18.03.2004 to finance the ESI project, as originally envisaged, and World Bank financing of subsequent supplies of STP, the management is of the opinion that the entire supplies for both the projects become eligible for Deemed Export Benefits.
- The matter has been taken up with DGFT and concerned Customs and Excise Authorities for getting refund of the amount paid by the Company to the Authorities in respect of Deemed Exports Benefits. In the meeting taken by DGFT, it has been agreed that since World Bank assistance was made available as originally envisaged, it should be treated as continuation of the old project and procedural delay in claiming the refund may be relaxed considering the peculiar nature of the case.
- The matter is under consideration of Department of Revenue, Ministry of Finance. Principal amount of Deemed Exports Benefits paid by the company continues to be included in the capital cost and shall be de-capitalised on refund of the amount or specific orders in this regard. Accordingly, amount refunded during the year to the tune of Rs.0.67 crore (Previous year Rs. 1.48 crore) has been decapitalized. However, the liability towards interest is included under contingent liability.

25. Disclosure in respect of Intangible Assets as required in AS-26 " Intangible Assets" :

1.	Amortisation Rate	33.33%	
2.	Amortisation Method	Straight Line	
			(Rupees in Crore)
		Current Year	Previous Year
3.	Gross Carrying Amount at the end of the year	2.20	4.73
4.	Accumulated Depreciation at the end of the year	1.15	2.83
5.	Carrying Amount at the beginning of the year	1.90	2.89
	Additions during the year	0.67	0.78
	Amortisation during the year	1.52	1.77
	Carrying Amount at the end of the year	1.05	1.90

26. Disclosure in respect of contingent liabilities as required in AS 29 of 'Provisions, Contingent Liabilities and Contingent Assets':

Contingent Liabilities :

- a) Contingent Liabilities as stated in Schedule 18 are dependent upon the outcome of court / appellate authorities / out of court settlement, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, disposal of appeals respectively.
- b) Reimbursement of outflow in respect of 'Claim against the Company not acknowledged as debt' and 'Disputed tax demands- Income Tax' (limited to Income Tax on core activity only) as stated in Schedule 18 of Contingent Liability, is dependent on the admittance of petition by CERC and in remaining cases no reimbursement is expected.

There are no cases for disclosure under 'Contingent Assets' as contemplated in the Standard.

27. Information in respect of cost plus Consultancy contracts, considering the same as consultancy business in view of AS 7 on "Construction Contracts" :

			(Rupees in Crore)
		Current Year	Previous Year
i)	The amount of revenue recognised on cost plus Consultancy contract work in 2005-06	130.42	109.13
ii)	The methods used to determine the contract revenue recognised in the period : 15% of total consultancy fees upto award stage to executing agencies (Out of which 10% upto issue of notices inviting tenders), 85% with progress of work including supplies.		
iii)	Cumulative amount of costs incurred on construction contracts	1539.42	679.80
iv)	Cumulative Amount of advance received from customers	2451.92	1326.32
v)	Amount of retention money with customers	NIL	NIL
vi)	Gross amount due from customers for contract work as an asset	14.53	6.77
vii)	Gross amount due to customers for contract work as a liability	657.44	506.89

28. a) The Company has been providing deferred tax liability after adjusting the amount recoverable from beneficiaries. During the year the company has provided Rs. 69.16 crore as deferred tax liability.
- b) The deferred tax liability of Rs. 240.35 crore upto the year ended 31.03.2005 has been revised after considering the current year's liability of Rs. 69.16 crore, the resultant deferred tax liability as on 31.03.2006 is Rs. 309.51 crore. Major components of deferred tax liabilities and assets are given as under:

			(Rupees in Crore)
	Particulars	As on 31.03.2006	As on 31.03.2005
	<u>Deferred Tax Liability</u>		
	Towards Fixed Assets (Net)	327.74	251.29
		327.74	251.29
	<u>Deferred Tax Asset</u>		
	Transfer to Self Insurance Reserve	0.89	0.95
	Income during Construction	3.61	2.41
	Retirement Benefits	3.38	1.92
	Provisions	10.35	5.66
		18.23	10.94
	Net Deferred Tax Liability	309.51	240.35

29. In view of the opinion of Expert Advisory Committee of ICAI, a sum of Rs. 0.31 crore towards provision of interest made under Income Tax Laws has been included in Others-Interest on Loans in Schedule No. 25 of "Interest and Finance Charges".

30. Afforestation compensation for acquiring Right of Way, for erection of the transmission systems are included in the capital cost of the plant and machinery (towers) of the respective transmission system as in the earlier years. In view of observations of CAG on the

accounts for the financial year 2004-05, to consider the same as expenditure incurred on assets not owned by the company in accordance with the Accounting Policy No. 14.1.4 of the company, the matter has been referred to the Expert Advisory Committee of the Institute of Chartered Accountants of India for its opinion, which is still awaited.

31. Consequent upon diversification into Telecom business, the company has incurred capital expenditure of Rs.890.49 crore upto 31.03.2006 (previous year Rs. 853.67 crore) which has been included under Gross Block, Capital Work in Progress, Construction Stores and Advances. Out of this, Rs.203.85 crore (previous year Rs. 369.40 crore) have been capitalised during the year on commissioning of telecom links. Operation of telecom links has resulted in net loss during the year of Rs.53.02 crore (previous year Rs.32.67 crore).
32. Loans & Advances (Schedule 14) include Lease Receivables representing the present value of future lease rentals receivable on the finance lease transactions entered into by the company with the constituents in respect of State Sector ULDC, as per the Accounting Standard (AS)-19 issued by the Institute of Chartered Accountants of India.

The reconciliation of the lease receivables (as per capital cost data submitted to / approved by CERC for tariff fixation) is as under :

Particulars	Amount as on 31.03.06 (Rs. in crore)	Amount as on 31.03.05 (Rs. in crore)
Gross value of assets acquired & leased upto 31.03.2005	692.81	686.43
Less : Gross value of assets acquired last year is adjusted on A/c of revision of cost.	8.92	0.00
Add : FERV from the date of commercial operation to 31.03.2005		6.38
Revised Gross value of the assets upto 31.03.2005	683.89	692.81
Less : Capital recovery provided upto 31.03.2005	72.73	42.35
Capital recovery outstanding as on 31.03.2005	611.16	650.46
Add: Gross Value of Assets capitalised and Leased during the year	228.99	0.00
Less : Capital Recovery for the current year	44.90	30.38
Lease Receivables as on 31.03.2006	795.25 *	620.08

* Does not include ERV and additional capitalisation after the date of commercial operation, which are subject to approval of CERC.

The value of contractual maturity of such leases as per AS-19 are as under :

Particulars	Amount as on 31.03.06 (Rs. in crore)	Amount as on 31.03.05 (Rs. in crore)
Gross Investment in Lease	1183.20	935.27
Unearned Finance Income	387.95	315.19
Present Value of Minimum Lease Payment (MLP)	795.25	620.08

Gross Investment in Lease and Present Value of Minimum Lease Payments Receivables as at 31st March, 2006 for each of the periods are as under: (Rs. in crore)

Particulars	Gross Investment in lease		Present Value of MLPs	
	2005-06	2004-05	2005-06	2004-05
Not later than one year	98.21	76.09	47.04	32.63
Later than one year and not later than five years	389.73	304.34	220.67	156.52
Later than five years	695.26	554.84	527.54	430.93
Total :	1183.20	935.27	795.25	620.08

The unearned finance income as on 31.03.2006 is Rs. 387.95 crore (previous year Rs. 315.19 crore).

33 Segment Reporting

(Rs. in crore)

	Business Segments							
	Transmission		Consultancy		Others		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue:								
Revenue from Operations /								
Reimbursement of RLDC Expenses	3351.38	2655.60	155.58	128.27	46.39	46.04	3553.35	2829.91
Segment result	1103.69	829.14	118.96	103.05	-53.29	-22.34	1169.36	909.85
Unallocated Corporate interest and other income							0.96	1.37
Unallocated corporate expenses, interest and finance charges							1.33	2.85
Income tax (Net)							160.06	122.85
Profit after Tax							1008.93	785.52
Other information :								
Segment Assets	25570.32	21919.38	46.57	51.49	848.02	958.25	26464.91	22929.12
Unallocated Corporate and other assets							1176.27	1002.46
Total Assets							27641.18	23931.58
Segment Liabilities :	1759.50	1149.60	714.78	578.37	79.37	160.40	2553.65	1888.37
Unallocated Corporate and other liabilities							1087.81	685.67
Total liabilities							3641.46	2574.04
Depreciation	703.95	616.64	0.07	0.06	40.31	25.56	744.33	642.26

(a) Business Segments

The Company's principal business is transmission of bulk power across different States of India. However, consultancy business is also treated as a reportable segment in accordance with para 27 (b) of AS-17 "Segment Reporting". Other business includes Systems Operation, Telecom etc.

(b) Segment Revenue and Expense

Revenue directly attributable to the segments is considered as Segment Revenue. Expenses directly attributable to the segments and common expenses allocated on a reasonable basis are considered as segment expenses.

(c) Segment Assets and Liabilities

Segment assets include all operating assets comprising of net fixed assets, construction work-in-progress, construction stores and advances and current assets, loans and advances. Segment liabilities include current liabilities and provisions.

(d) The company has Transmission Projects located within the country and no geographical segment is distinguishable.

34. A. Related Party Transactions

(a) Related parties:

i) Joint ventures : **Powerlinks Transmission Limited.**

Investment in equity shares during the year 2005-06 Rs.110.20 crore (previous year Rs. 31.29 crore) Cumulative Investment Rs.205.80 crore. (previous year Rs. 95.60 crore)

Reimbursement of expenses pertaining to Joint venture Rs. NIL crore (previous year Rs. 0.23 crore).

Income from consultancy services rendered to Joint Venture Company Rs.11.67 crore (previous year Rs. 4.72 crore)

ii) Subsidiary:

a) **Parbati Koldam Transmission Company Ltd. (Formerly Bina Dehgam Transmission Company Limited).**

Investment in Equity shares during the year NIL. Cumulative investment Rs. 0.05 crore. Outstanding balance at end of the year Rs. 0.59 lacs. Certificate of Commencement of Business not yet received.

b) Byrnihat Transmission Company Limited
I. Investment in Equity shares :

a. Subscribed	-	50000 equity shares of Rs.10 each
b. Paid up	-	NIL

II. Outstanding Balance	-	Rs.22335.00
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Certificate of Commencement of Business not yet received.

iii) Directors:

Sh. R.P. Singh	Chairman and Managing Director
Dr. V.K. Garg	Director (Finance)*
Sh. S. Majumdar	Director (Projects)**
Sh. U.C. Misra	Director (Personnel)
Sh. J. Haque	Director (Operations)
Sh. J. Sridharan	Director (Finance)***

* Left POWERGRID on 11/05/2005

** Assumed charge on 27/09/2005

*** Assumed charge on 21/12/2005

Remuneration to whole time Directors including Chairman & Managing Director is disclosed in Note No. 41 (excluding arrears paid to ex-directors).

Advances due from whole time Directors including Chairman and Managing Director Rs.0.05 crore (previous year 0.03 crore).

There are no non-official part time Directors in this Financial Year.

B. Consolidated Financial Statements

- a) The Company has an investment of Rs. 0.05 crore in the Equity shares of Parbati Koldam Transmission Company Ltd (formerly Bina Dehgam Transmission Company Limited) a subsidiary company. An amount of Rs. 0.037 crore, for sale/transfer of 74% shares of the aforesaid subsidiary company to the joint venture partner, has been received during the year and has been kept in other liabilities pending transfer of shares and signing of JV agreement. As the control of the above subsidiary company is to be transferred to the proposed joint venture arrangement, the accounts of the subsidiary are not consolidated.
- b) During the year, the company has incorporated a subsidiary company namely Byrnihat Transmission Company Limited on 23/03/2006 by subscribing 50000 equity shares of Rs. 10 each for which payment has been made in April, 2006. Since the first financial year of the company will close on 31/3/2007, there is no instance of consolidation of accounts of the subsidiary.

35. Earning per share calculated in accordance with the provision of AS-20

	As at 31.3.2006	As at 31.3.2005
Numerator		
Profit after tax as per Profit & Loss Account (Used as Numerator) (Rs. in Crore)	1008.93	785.52
Denominator		
Number of equity shares(Face value of Rs 1000 each)	35846286	31652486
Shares allotted during the year	4193800	1300000
Weighted Average number of equity shares for calculating Basic earning per share	32900757	30576870
Weighted Average number of equity shares for calculating Diluted earning per share	33288877	30964990
Basic earning per share (Rs. / per share)	307	257
Diluted earning per share (Rs. / per share).	303	254

36. Information in relation to the interest of the company in Joint Venture Agreement in accordance with the provision of AS-27.

- a. Significant Joint Venture & Description
- Establishment & maintenance of specific Transmission Lines associated with Tala HEP Project on BOOT Basis
- b. Proportion of ownership, name & country of incorporation
- POWERGRID 49% equity, The Tata Power 51% equity, India
- c. Contingent Liability
- During the year shares worth Rs. 73.52 crore (shares worth Rs. 31.29 crore out of shares allotted last year and Rs. 42.23 crore out of shares allotted in current financial year) of the Joint Venture Company are pledged with the lenders of the Joint Venture Company. Shares worth Rs.67.97 crore have been offered for pledge for which confirmation is awaited .
- d. Capital Commitment
- NIL

e. Disclosure of information related to and included in Assets / liabilities& reimbursement of expenses

- Rs.205.80 crore equity contribution in Powerlinks Transmission Ltd. Shown under 'Investments'.
- Rs. NIL crore Reimbursement of Development Expenses
- Rs. 11.67 crore (previous year Rs. 4.72 crore)) consultancy fees

37. In respect of investments in shares as stated in Schedule-9 for "Investments" following shares are not registered in the name of the company and are held by the Directors/as its nominee.

	No. of Shares
PTC India Limited	6
Powerlinks Transmission Ltd.	3
Parbati Koldam Transmission Ltd. (Formerly Bina Dehgam Transmission Co.Ltd.)	6

38. a) Figures have been rounded off to nearest rupees in crore.

b) Previous year figures have been regrouped/rearranged wherever necessary.

39. a) Employees' remuneration and benefits include the following for the Directors, including Chairman and Managing Director and excluding arrears paid to ex-directors

	Rs. in crore
	Current Year
Previous year	
Salaries and Allowances	0.27
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	0.03
Other benefits	0.15

b) In addition to the above remuneration, the Whole time Directors have been allowed to use the staff car (including for private journeys) on payment of Rs. 780/- p.m. as contained in the Ministry of Finance (BPE) Circular No.2(18)/pc/64 dt. 29.11.64 as amended.

a) VALUE OF IMPORTS CALCULATED ON CIF BASIS :

	Rs. in crore
	Current Year
Previous Year	
i) Capital Goods	152.89
ii) Spare Parts	1.42

b) EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS) :

	Rs. in crore
	Current Year
Previous Year	
i) Professional and Consultancy fees	0.23
ii) Interest	240.18
iii) Others	9.12

c) VALUE OF COMPONENTS, STORES AND SPARE PARTS CONSUMED :

	%	Current Year	%	Rs. in crore
				Previous Year
i) Imported	12.12%	1.42	18.91%	2.39
ii) Indigenous (Including fuel)	87.88%	10.30	81.09%	10.25

d) EARNINGS IN FOREIGN EXCHANGE :

	Rs. in crore
	Current Year
Previous Year	
Interest	0.26

41. ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(i) REGISTRATION DETAILS :

Registration No.	55-38121
State Code	55
Balance Sheet Date	31st March 2006

(ii) CAPITAL RAISED DURING THE YEAR

	Rs. in crore
Public Issue	NIL
Rights Issue	NIL
Private Placement (Issued to Govt. of India)	419.38
Bonus Issue	NIL

iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

	Rs. in crore
Total Liabilities	29801.32
Total Assets	29801.32

Sources of funds

Paid up Capital	3623.44
Reserves and Surplus	6378.55
Secured Loans	10406.62
Unsecured Loans	4619.51
Advance against Depreciation	822.23
Deferred Tax Liability	309.51

Application of Funds

Net Fixed Assets	18516.24
Capital Work-in-Progress (including Construction, Stores and Advances)	6400.86
Investments	2139.41
Net Current Assets	(-) 917.38
Miscellaneous Expenditure	20.73

iv) PERFORMANCE OF COMPANY

	Rs. in crore
Turnover/Income	3145.34
Other Income (including Transfer from Grants in Aid)	408.97
Total expenditure	2385.32
Profit before Tax	1168.99
Profit after MAT and Deferred tax	1008.93
Earning per share (Basic) (Rs.)	307.00
Dividend Amount	302.68

(v) GENERIC NAMES OF PRINCIPAL PRODUCT/SERVICE OF COMPANY

Item code No. NOT APPLICABLE

Product Description: Transmission, Central Transmission Utility function.

For and on behalf of the Board

(Divya Tandon)
Company Secretary

(J. Sridharan)
Director(Finance)

(R. P. Singh)
Chairman & Managing Director

As per our report of even date

For O. P. Bagla & Co.
Chartered Accountants

For B. M. Chatrath & Co.
Chartered Accountants

For Nataraja Iyer & Co.
Chartered Accountants

(O. P. Bagla)
Partner

(P. R. Paul)
Partner

(E. S. Ranganath)
Partner

AUDITORS' REPORT

To,

The Members,

Power Grid Corporation of India Limited,

- We have audited the attached Balance Sheet of Power Grid Corporation of India Ltd. as at March 31, 2006, and the Profit and Loss Account and also 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 from material mis-statements. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- The Company is governed by the Electricity Act, 2003, w.e.f. 10th June, 2003. Though the said Act has repealed the Electricity (Supply) Act 1948 and Electricity Regulatory Commission Act, 1998, certain provisions of the repealed Acts, to the extent they are not inconsistent with the provisions of said Act, continued to be applied by the Company while preparing the financial statements. Further, the provisions of the said Act read with the rules thereunder, have prevailed wherever the same have been inconsistent with the provisions of the Companies Act, 1956.
- As required by the Companies (Auditor's Report) Order, 2003, read with Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- We draw attention to Note No.15, schedule-28 of the financial statements in respect of matter related to transmission income.
- Further to our comments in the annexure referred to in paragraph 4 & paragraph 5 above, we report that:
 - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
 - The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - In our opinion, subject to our observations in paragraph 3 above, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - In pursuance to the notification No. GSR 829(E) dated 17.7.2003, issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of Companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
 - In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the Notes on Accounts given in Schedule 28 and Accounting Policies annexed thereto, in so far as these are not inconsistent with the Electricity Act, 2003, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India :
 - in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2006.
 - in the case of Profit and Loss Account, of the profit for the year ended on that date; and
 - in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For O. P. Bagla & Co.
Chartered Accountants

For B. M. Chatrath & Co.
Chartered Accountants

For Nataraja Iyer & Co.
Chartered Accountants

(O. P. Bagla)
Partner
M. No. 8858

(P. R. Paul)
Partner
M. No. 51675

(E. S. Ranganath)
Partner
M. No. 13924

Place: New Delhi
Date: 13th June, 2006

Place: New Delhi
Date: 13th June, 2006

ANNEXURE TO THE AUDITORS' REPORT

RE: POWER GRID CORPORATION OF INDIA LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 4 OF OUR REPORT OF EVEN DATE

1. a) The Company has generally maintained records of Fixed Assets, showing full particulars including quantitative details and situation of Fixed Assets.
- b) The assets have been physically verified by external agencies during the year and discrepancies, though not material, noticed on such verification, have been reconciled / adjusted in the books of account. In our opinion, frequency of verification is reasonable.
- c) During the year substantial part of Fixed Assets have not been disposed off by the company.
2. a) Physical verification of inventory has been conducted by external agencies during the year, except for the materials lying with contractors. In our opinion frequency of verification is reasonable.
- b) The procedures of physical verification of inventory, 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 has maintained proper records of inventory. Material discrepancies noticed on physical verification of the inventory have been properly dealt with in the books of account except material lying with contractors where verification is not undertaken.
3. The Company has neither 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. Accordingly, Clause iii of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems, commensurate with the size of the Company and the nature of its business, with regard to purchase of inventory and fixed assets and income from transmission, telecom and consultancy business. During the course of our audit we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the underlying internal control systems.
5. According to the information and explanation given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act 1956, during the year, to be entered in the register maintained under that section. Accordingly Clause (v) of paragraph 4 of the Order is not applicable.
6. Since the Company has not accepted any deposit from the public, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of section 58-A, 58-AA and other relevant provisions of Companies Act, 1956, and rules framed thereunder, does not arise.
7. The Company has an Internal Audit system. In our opinion, the scope and coverage of Audit are commensurate with the size and nature of its business. However, the compliance and implementation mechanism, though improved, needs to be further strengthened.
8. The Central Government has prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956 in respect of Transmission & Telecom Operations of the Company. We have broadly reviewed the Cost Records prepared by the Company and are of the opinion that, prima facie, the prescribed records have been made and maintained.
9. a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues with appropriate authorities including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, custom duty, excise duty and other statutory dues applicable to the Company and that there are no undisputed statutory dues outstanding as on 31.3.2006 for a period of more than six months from the date they became payable.
As informed the provision of the Employees State Insurance Act are not applicable to the Company. Unclaimed bonds of Rs. 0.02 crore which has not exceeded the time limit prescribed under Section 205C of the Companies Act, 1956 and bonds of Rs. 15.77 crore, though matured on 10.3.1999, liability of which has been reinstated during the year (refer Note No. 9), are lying as liability towards Investor Education and Protection Fund.
- b) According to information and explanation given to us, following disputed income tax / sales tax / customs duty / wealth tax / service tax / excise duty / cess dues have not been deposited.

Particulars	Amount (Rs. in Crore)	Forum Where Pending
Entry Tax	2.12	Appellate Additional Commissioner Commercial Tax (Appeal), Jabalpur
Sales Tax	0.37	Appellate Additional Commissioner Commercial Tax (Appeal), Raipur
Entry Tax	0.01	Appellate Additional Commissioner Commercial Tax (Appeal), Raipur
Education Cess	0.77	Dehgam Nagar Palika, Dehgam
Stamp Duty	0.12	High Court of MP, Jabalpur
Stamp Duty	0.14	High Court of Chhattishgarh, Bilaspur
Sales Tax	20.07	J&K State Sales Tax Appellate Tribunal

Sales Tax	13.23	Dy. Commissioner of Sales Tax (Appeal), Jammu, J&K State
Sales Tax	1.66	Hon'ble High Court of Orissa, Bhubneshwar
Income Tax & Interest	7.84	Income Tax Appellate Tribunal, Hyderabad
Income Tax & Interest	2.89	Commissioner of Income Tax (Appeal), Hyderabad
Interest on custom/ Excise duty	58.23	Commissioner of Customs & Excise, Mumbai & Trivendram
Entry tax	14.50	Joint Commissioner of Commercial Tax (Appeal), Patna
Service Tax	0.31	Commissioner of Central Excise, Patna
Interest on custom/ Excise duty	16.43	Commissioner of Customs & Central Excise, Peetampur & Mumbai
Income Tax & Interest	18.70	Commissioner of Income Tax (Appeal), New Delhi.
Income Tax & Interest	24.67	Income Tax Appellate Tribunal, New Delhi.
Income Tax (TDS) on perquisites	18.59	High Court, Kolkata

10. The Company does not have accumulated losses at the end of financial year and has not incurred any cash loss in the financial year under audit, and also in the immediately preceding financial year.
11. On the basis of audit procedures adopted by us and according to the records, the Company has not defaulted in repayment of dues to any financial institution or bank or bondholders except for bonds of Rs.15.77 crores payable to bonafide holders though matured but lying unpaid since 10.3.99 in view of the legalities involved in the matter. Refer Note No. 9 of the Schedule-28 - Notes on Accounts.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or nidhi/mutual benefit fund/society. Therefore, the provisions of Clause xiii of paragraph 4 of the Order are not applicable.
14. In our opinion, the Company is not dealing in or trading in shares, debentures, and other investments. Accordingly, the provisions of Clause xiv of paragraph 4 of the Order are not applicable.
15. As informed to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. However, the shares held by the Company in Power Link Transmission Limited have been pledged in favour of financial institutions for financial assistance obtained by the said company, as per the terms and conditions of Joint Venture Agreement. In our opinion, the terms and conditions of share pledge agreement are not, prime facie prejudicial to the interest of the company.
16. In our opinion on an overall basis and according to the information and explanation given to us, the company has applied term loans for the purpose, the loans were obtained during the year.
17. In our opinion, on an overall basis, and according to the information and explanation given to us, the company has not used the funds raised on short term basis for long term investment.
18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act during the year.
19. Securities or charge have been created against all the bonds issued by the company except XVIII Series of Bonds aggregating to Rs.999 crores issued during the year for which securities or charge has not been created till the finalization of the financial statements.
20. The Company has not raised money by public issue during the year. Accordingly clause xx of paragraph 4 of the order is not applicable.
21. During the course of our examination of books and records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instances of fraud on or by the company, nor have we been informed of such cases by the Management during the year.

For O. P. Bagla & Co.
Chartered Accountants

For B. M. Chatrath & Co.
Chartered Accountants

For Nataraja Iyer & Co.
Chartered Accountants

(O. P. Bagla)
Partner
M. No. 8858

(P. R. Paul)
Partner
M. No. 51675

(E. S. Ranganath)
Partner
M. No. 13924

Place: New Delhi
Date: 13th June, 2006

Annexure-I to Directors' Report

Management Discussion and Analysis

Growth in Transmission :

Keeping in view the large incremental capacity addition requirements of 1,00,000 MW in 10th and 11th Plans and to fulfill the macro objective of Power Sector i.e. 'Power to all by 2012', POWERGRID is oriented towards implementation of generation evacuation schemes, strengthening of regional grids, development of an integrated National Grid with flexibility for power transfer from one region to another and setting up the requisite Load Despatch facilities for real time grid operation. POWERGRID has :

- ◆ implemented various Transmission Schemes and its Network has grown to 55,121 circuit kms of Extra High Voltage transmission lines with 93 Nos. of EHVAC & HVDC sub-stations up to F.Y. 2005-06,
- ◆ established the Inter-regional power transfer capacity of 9,500 MW,
- ◆ consistently maintained the transmission system availability over 99.5% at par with the International utilities.

POWERGRID's commitment towards furtherance of National Grid

The target and achievement of POWERGRID during the year 2005-06 have been as under:

Works	Target to achieve excellent rating as per MOU	Achievement	Percentage
Foundation (Nos.)	6710	7806	116%
Tower Erection (Nos.)	5620	6627	118%
Stringing (in Kms.)	3100	3202	103%

As per the MOU signed with the Ministry of Power, a target for stringing of 5,200 Kms has been set for the F.Y. 2006-07. **Till the end of June, 2006 stringing of 1,522 ckms. has already been completed as against the target of 1,459 ckms. i.e. achievement of 104%.**

POWERGRID being the primary agency to establish the requisite transmission capacity in the Central sector to match the generation capacity addition and facilitate inter-state/ inter-regional exchange of power is focusing on creation of a reliable and strong National Grid by adding about 60,000 circuit kilometers of Transmission Network till the Year 2012. This would require capital investment of over Rs. 70,000 Crore during X & XI Five Year Plans for supporting generation capacity addition plan of 1,00,000 MW. Such an integrated grid will carry 60% of the power generated in the country by 2012.

Risks and Concerns :

The CERC has notified terms and conditions of tariff for the period 2004-09, applicable from 01.04.2004 to 31.03.2009, as per which the return on equity is 14% post tax (reduced from 16% return prevailing earlier), incentive is linked to equity and efforts towards availability beyond 98% of AC System and 95% for HVDC System are incentivized.

The issue of charging depreciation at rates different from the rates specified under the Companies Act has been referred by CAG to MOP and the same is pending for disposal with MOP. However, MOP has in compliance with Sec.3 of the Electricity Act, 2003 notified the Tariff Policy on 6th January, 2006, which provides that the rates of depreciation notified by CERC would be applicable for the purpose of tariff as well as accounting. Pending finalization of norms by CERC as per Tariff Policy for the block year 2004-05, the present rates of depreciation notified by CERC, the depreciation charge was lower by Rs.465.12 crore (previous year Rs.392.02 crore) as compared to the depreciation as per rates provided in Schedule XIV of the Companies Act, 1956.

Further, as per the Tariff Policy issued on 6th January, 2006, Central Electricity Regulatory Commission (CERC) shall be guided by the Tariff Policy while specifying the terms and conditions for the determination of tariff. In addition to the provision that the rates of depreciation notified by CERC would be applicable for the purpose of tariff as well as accounting, the Policy includes following major items:

- ◆ The Return on Investment would be notified by CERC based on either Return on Equity approach or Return on Capital approach whichever is considered better in the interest of consumers.
- ◆ There would be no need for any Advance Against Depreciation.
- ◆ Foreign Exchange Rate Variation will not be pass through. Appropriate cost of hedging and swapping for management of FERV will be allowed.

Restoration of Depleted Equity: The methodology followed for the tariff for the blocks of 1992-97 and 1997-2001, had resulted in depletion of equity by about Rs. 646 crore for assets under commercial operation up to 31.3.1997. POWERGRID appealed before the Hon'ble Appellate Tribunal. The Appellate Tribunal in its order dated 16th May, 2006 observed that POWERGRID is entitled to the restoration of depleted equity and remitted the matter to CERC for re-determination of the tariff for the period commencing from 1.4.2004. As directed by the Tribunal, your Company is in the process of filing tariff petitions before CERC for rectification of tariff.

On the commercial front, under the Securitization Scheme, out of the total securitization dues of Rs. 2101 crore, Bonds of Rs. 85 crore are pending for issuance. Post securitization dues (after 30th September, 2001) of only Rs.1.77 crore are outstanding. **POWERGRID has realized almost 100% of its Transmission Charges during the Year 2005-06. During the Financial Year 2006-07, till June, 2006 the Company has realized Rs.912 crore including Rs.7 crore against the actual billing of Rs.905 crore, a collection of 100%.** Further, during the Year 2005-06, the LC coverage went up to Rs. 251 crore as against LC Coverage of Rs. 245 crore during the year 2004-05.

Overcoming Construction Challenges:

POWERGRID would be implementing major quantum of works towards transmission development in the next 6-7 years. In addition, large quantum of works at Distribution & Rural Electrification level have also been identified as a part of APDRP and Rural Electrification

programme. These entail multi-dimensional challenges. The challenges mainly relate to accessibility, construction feasibility, technical restrictions, conservation of environment and Right of Way etc. POWERGRID has taken following measures to meet the massive task:

(i) Route Alignment & Detailed Survey Using Modern Techniques:

POWERGRID is applying modern techniques for route alignment and detailed survey of transmission lines for selection of transmission line route with the help of GIS Mapping and Satellite Imagery. By designing the optimal transmission line route covering multiple locations through these advance survey techniques, the cost and execution time can be contained within the pre-determined parameters.

(ii) Vendor Development Programme:

POWERGRID is taking initiative towards development of potential vendors to increase vendor base so that the task can be accomplished in a cost effective and time bound manner. The **Vendor Development Programme** has been taken up for developing Tower manufacturers as well as civil construction firms/Tower Contractors having experience of construction of 110/132 kV Lines. The following Projects/ Schemes have been taken up/are under execution under Vendor Development Programme:

- ◆ **Through Tower Manufacturer Route** - (i) LILO of 400 kV D/C Nellore- Sriperumbudur transmission line and (ii) 400 kV D/C Malerkotla-Ludhiana-Jalandhar transmission line.
- ◆ **Through Civil Construction Firms/ Tower Erectors for 110/132 KV Route** - (i) LILO of 400 kV D/C Vijayawada-Gajuwaka transmission line under SR Strengthening-VI- (ii) 400 kV D/C Sipat-Raipur transmission line under WR Strengthening-I-, (iii) 400 kV D/C Bhadravati-Chandrapur Line, (iv) LILO of 400 kV S/C Kolar-Sriperumbudur at Melakottaiyur (Kaiga-3&4) transmission line, (v) LILO of one circuit of 400 kV D/C Talaguppa-Neelmangala at Hassan under SR Strengthening-VII and (vi) LILO of one circuit of 400 kV D/C Madurai-Trichy at Karaikudi under SR Strengthening-VII.

In addition to these transmission lines, few more transmission lines are being taken up for execution under vendor development route. To move the process further, POWERGRID organized a Workshop on "**Opportunities, Preparedness & Vendor Development for capacity building in T&D sector by 2012 and beyond**" in October 2005 wherein more than 300 delegates from about 35 companies participated. The objective of the workshop was to appraise the bidding/vendor community in power industry about future expansion plans of T&D sector in the country and at the same time their preparedness to meet future challenges and also development of potential vendors to increase the vendor base etc.

(iii) Towards Standardisation

POWERGRID is aiming standardisation of the repetitive and packagewise post award engineering activities viz. finalisation and approval of design/drawing/testing of various equipment/items, standardisation of designs/drawings and incorporating the same in the technical specifications or through finalising manufacturer specific designs/drawings applicable for all future packages. After this standardisation of designs/drawings/type testing for regular packages, post award engineering activities shall be required only for new type of projects/equipments. POWERGRID has standardised the following designs and Technical Parameters:

- ◆ Transmission Line structures for 765 kV, 400 kV and 220 kV lines.
- ◆ Substation structures for 400 kV and 220 kV switchyards.
- ◆ Conductor and Earthwire Drum Drawing.
- ◆ Technical Parameters for Earthwire, Hardware fittings and Accessories for 400 kV lines.

POWERGRID has started process-inspection with regular manufacturers for standard items targeting '0' pre-dispatch product-inspection and '0' defect of the equipment through improving in-built quality.

Telecommunication:

POWERGRID has obtained the National Long Distance (NLD) Licence from the Department of Telecommunications (DoT) on 5th July, 2006. The licence will allow POWERGRID to explore more options and opportunities in customer segments, increase consumer base and provide value added services to customers. The licence would also enable POWERGRID to address the bandwidth requirement of customers who could not be serviced under the present IP-I, IP-II and ISP licenses. The new license would result in increased utilization of POWERGRID's telecom network.

Works & Procurement Policy & Procedures:

The Works & Procurement Policies and Procedures Vol-I & II developed by POWERGRID were adopted in 2001 and 2002, respectively. These documents are presently under review in the light of experience gained in its implementation and to update the same in view of the changes in the various notifications etc. taken place in between. Further, other manuals of the Company like '**Delegation of Powers**' to the various hierarchy in the Company are also being looked into for review.

Integrated Management Policy:

POWERGRID is committed to:

- ◆ establish and maintain an efficient and effective "National Grid" with due regard to time, cost, technology and value addition,
- ◆ sustainable development through conservation of natural resources and adopting environment friendly technology on principles of Avoidance, Minimization and Mitigation,
- ◆ ensure safe, occupational hazard-free and healthy work environment

to the satisfaction of stakeholders in all areas of its activities and shall endeavor to improve continually its management systems and practices in conformity to legal and regulatory provisions.

Grid Performance:

During the financial year, the grid performance remained improved due to Availability Based Tariff, Free Governor Mode of Operation of

generating units, various inter-regional links, RLDC having State-of-the Art technology and manning of RLDCs by skilled and experienced personnel. There has been no major grid disturbance in any part of the Country during the last 3½ years. In fact, tripping of lines and partial grid disturbances of minor nature in regional grids have come down significantly, as to be reckoned to be a benchmark achievement. Over 98% of the time, the frequency has been maintained in the range of 49 to 50.5 Hz, which is well within the prescribed Indian Electricity Grid Code (IEGC) band. The frequency profile of the system is a clear indicator of the load-generation balance in the Regions.

System availability has been maintained at about 99.64% during the year 2005-06 through deployment of modern Operation & Maintenance techniques at par with International standards.

Attracting Private Participation through Joint Venture Route:

The 1st public - private partnership in Power Transmission (Tata Power 51% - POWERGRID 49%) to execute the Transmission System associated with Tala Hydro-Electric Project, East-North Interconnector and Northern Region Transmission System is nearing completion. The Transmission System has been executed in two parts (i) The transmission lines (1166 Kms) from Siliguri in West Bengal via Bihar to Mandola in Uttar Pradesh have been executed by POWERLINKS, the JVC at an estimated cost of around Rs.1612 crore; and (ii) the second part of the project has been executed by POWERGRID consisting of 4 new sub-stations and extension of 6 existing sub-stations along with LILOs and series compensation for absorption of the power in ER and NR, at an estimated cost of Rs.872 crore. The said transmission system will have inter-regional power transfer capacity of 2000 MW.

As brought out in the Directors' Report, five more MOUs were signed by POWERGRID with various Companies on 23.03.2006. The said MOUs included an MOU with Torrent Power AEC Limited for the implementation of transmission system associated with 1100 MW SUGEN Generation Project, being implemented by Torrent Power Generation Ltd (TPGL) in June, 2006. The various agreements have also been signed for implementing the transmission line associated with the SUGEN Project through a Joint Venture Company, wherein POWERGRID would hold equity of 26% and the balance of 74% shall be contributed by TORRENT. The estimated cost of the transmission system is approximately Rs.600 crore.

Efforts on IPTC Route:

In deference to the decision of the CERC, POWERGRID is implementing Projects B and C of the WRSSS-II through IPTC Route, earlier envisaged to be implemented through Joint Venture Route. Accordingly, POWERGRID is now in the process of inviting bids for execution of Projects B and C through 100% Private Participation Route on Build, Own, Operate and Transfer (BOOT) basis, in line with the further directions issued by CERC. Projects B and C comprise of transmission lines in the States of Maharashtra and Gujarat, respectively.

Environment & Social Management in POWERGRID

POWERGRID, which is committed to achieve the goal of Sustainable Development realizes that given the scale of its operations, it is inevitable that there is some impact upon both natural environment and communities. Therefore, to address these issues POWERGRID has adopted pro-active approach and developed a comprehensive "Environmental Social Policy & Procedures" (ESPP) in April'98 through nation wide consultation involving Stakeholders, general public, representatives from Ministry of Power, MOEF, CEA, State Electricity Boards, Allied Organizations, Academia, NGOs, Multilateral funding agencies and Project Affected Persons (PAPs) which was further upgraded and modified in March,2005. POWERGRID is committed to the concept of Eco-efficiency and adopt analytical approach to help and direct its efforts for achieving the goal of sustainable development. In order to achieve excellence at global level, the updated ESPP is also being reviewed.

Internal Control:

POWERGRID has a comprehensive Internal control to verify the Accounting and Financial Management System, adequacy of controls, material checks, financial propriety aspects and compliance implementation mechanism. Keeping in view the time schedule of conducting Internal Audit and the increase in the number of Audit Units, the internal audit for the year 2005-06 has been finalized with in-house Audit Department and experienced firms of Chartered Accountants. Steps have also been taken in regard to strengthening of the compliance mechanism.

Adhering to the Corporate Governance norms, the Company has an Audit Committee since January, 1999. The Audit Committee deliberates the findings of the Internal Auditors of significant nature along with the follow up action and remedial action taken by POWERGRID.

Cautionary Statement

Statements in the Management Discussion and Analysis, describing the Company's objectives, projections and estimates, are forward-looking statements and progressive within the meaning of applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government Policies and other incidental factors.

Annexure-II to Directors' Report

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT,1956 FOR THE YEAR 2005-06

Sl. No	Name	Designation	Qualification	Remuneration (Rs.)	Experience (Years)	Date of commencement of Employment	Age (Years)	Last Employment held
Employed for the full year								
1.	Shri R. Rajagopalan	Chief Manager (F&A)	CA	2511152	20	01.07.1991	44	BITES Ltd.

Notes:

- 1) Remuneration includes Salary, Allowances, Leave encashment, Leave travel concession, Payment for Subsidised leased accommodations, reimbursement of medical expenses to employees and employer's contribution to Provident Fund and other funds. In addition, employees are entitled to Gratuity/Group Insurance in accordance with Company's rules.
- 2) The employee named above is not related to any of the Directors of the Company.
- 3) Being a public sector Company, all the equity shares of the Company are held by Government of India. Hence, disclosure under sub-clause (iii) of clause (a) of sub-section (2A) of Section 217 of the Act is not applicable.

Annexure-III to Directors' Report

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1999 read with Section 217(1)(e) of the Companies Act, 1956.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken and on hand:

Right from the planning stage to the execution stage of the transmission projects, all efforts are made by POWERGRID for conservation of energy. While finalizing the transmission system for any project, various alternatives are studied and one of the major criteria in selection of final system is lower losses. In fact, lower loss is one of the primary reasons for adoption of 800 kV & HVDC alternatives. Accordingly, POWERGRID is planning one of the highest capacity HVDC Bipole from North-Eastern Region to Central India. Also, at design stage of the transmission system, optimization is done so that the losses in the transmission system are minimized. The conductors are selected after detailed optimization studies where optimization of line losses is one of the major consideration. The bus bar materials and the clamps and connectors are chosen meeting the stringent international requirements so that there is least loss of energy in them. While evaluating transformer & shunt reactor packages, equipment with minimum losses is given weightage. Further, in case of transmission hardware, the material with lower losses is specified. The various other equipment parameters and types are also so chosen such that the losses are optimized. Latest techniques, intelligent systems for example series compensation, shunt capacitors, FACTS, bundled conductors etc are being introduced for loss reduction. This is a major step in energy conservation as the energy saved on account of losses is construed as energy generated.

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of Energy :

As stated above, energy conservation measures are being adopted from planning to execution stage to make overall transmission systems more efficient.

B. RESEARCH AND DEVELOPMENT

1 & 2 : It has been POWERGRID's endeavour to pursue the research and development efforts in the field of new technologies in transmission system to remain at par with international standards. New technologies are being absorbed by POWERGRID in a proactive manner so as to achieve the objective of lowering transmission costs, reduction of losses and optimum utilization of the available transmission assets and conservation of environment.

Specific Areas in which R&D has been carried out by the Company and benefits derived thereby are given below:

Completed Projects:

1. Transmission line route selection and length optimization through modern survey techniques using Satellite Imageries, Total Stations and Computer Aided tower spotting which has resulted in optimization of route length of transmission lines.
2. Design and testing of 400 kV D/C Pole structure for use in areas of high population density and to ensure aesthetic integration to surrounding environment.
3. Completed in-house design and testing of 16 no. of towers for transmission lines upto 765 kV.
4. Reduction in overall cost and land requirement for new substations by adopting various measures like optimization of bay widths of 400 kV (27m→24m), 220 kV (18m→16m) and 132 kV(12m→10.5m), re-designing of Control room building and introducing multistory buildings in Substation Colony.
5. Standardization of lattice and pipe type structures.

Ongoing Projects

1. Several existing Substations in different Regions are being designed for remote operation from nearby Substations so as to reduce the operation cost.
2. Substation Automation is being adopted for all new Substations of POWERGRID. This would result in savings in operational cost and increased operational efficiency.
3. Development of in-house foundation and tower designs for use in on-going transmission line projects.
4. POWERGRID has undertaken development of in-house designs for 400 kV & 765kV guyed towers as well as ERS in association with SERC.
5. Existing 400 kV D/C Purnea-Siliguri line and LILO of Ballabgarh-Dadri 400kV transmission line at Maharani Bagh being designed with high temperature endurance special "Invar" conductor (210°C max. conductor temperature) to enhance the capacity of the transmission corridor by about two times.
6. Airborne Laser Terrain Mapping (ALTM) is being adopted by POWERGRID for detailed survey in association with NRSA which shall result in faster surveys, accurate tower spotting, BOQ estimation, line route optimization etc.
7. Development and Testing of High strength 320 kN and 420 kN rating insulators.
8. High Surge Impedance Loading (HSIL) line design.
9. High Capacity, ±800 kV, 6000 MW HVDC Bipole design for long distance power transfer over 2000-2500 km. from NER.
10. Engineering Data Integration on GIS Platform.
11. 800 kV substation including transformers and reactors under implementation.
12. First 400 kV Gas Insulated Substation (GIS) of POWERGRID at Maharani Bagh (Delhi) under implementation.

13. 2500 MW, ±500 kV Ballia- Bhiwadi HVDC Bipole with Lapwing conductor.
14. 400 kV Multicircuit towers to accommodate 4 circuits under implementation in forest stretches as an initiative towards Environmental Conservation.
15. Design & Testing of 400 kV Pole structures for environmental conservation and aesthetic integration of Transmission lines with environment in City areas

Technology Absorption :

1. POWERGRID is employing modern Survey techniques for route selection, length optimisation and estimation of BOQ for transmission lines.
2. Substation Automation is being adopted by POWERGRID in all the new substations of POWERGRID.
3. As a step towards National grid, 800kV technology is being absorbed for implementation in our country.

Foreign Exchange Earnings and Outgo:

Foreign Exchange Earnings

		(Rupees in Crore)
a.	Interest	0.26
b.	Others	-
	Total:	0.26

Foreign Exchange Outgo

(i)	Capital Goods and spare Parts	154.31
(ii)	Professional and Consultancy Fee	0.23
(iii)	Interest	240.18
(iv)	Others	9.12
	Total:	403.84

Annexure-IV to Directors' Report

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF POWER GRID CORPORATION OF INDIA LIMITED, NEW DELHI FOR THE YEAR ENDED 31st MARCH, 2006.

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Power Grid Corporation of India Limited, New Delhi for the year ended 31st March, 2006.

Place : New Delhi
Dated : 18th July, 2006

(Meera Swarup)
Principal Director of Commercial Audit and
Ex-officio Member, Audit Board-III,
New Delhi

REVIEW OF ACCOUNTS OF POWER GRID CORPORATION OF INDIA LIMITED, NEW DELHI FOR THE YEAR ENDED 31st MARCH, 2006 BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Note : The review of Accounts has been prepared without taking into account comments under section 619(4) of the Companies Act 1956 and qualifications contained in the Statutory Auditor's Report.

1 FINANCIAL POSITION

The table below summaries the financial position of the company under broad headings for the last three years :

(Rs. in Crore)			
	2003-04	2004-05	2005-06
LIABILITIES			
a) Paid up capital			
Govt. (including share application money pending allotment)	3074.06	3204.06	3623.44
b) Reserves and Surplus			
i) Free Reserves and Surplus	4867.49	5442.65	6105.59
ii) Share Premium Account	-	-	-
iii) Capital Reserves	586.74	384.22	272.96
c) Borrowing from:			
i) Government of India	72.11	66.53	59.34
ii) Financial Institutions	897.40	812.30	727.79
iii) Foreign currency loans	5188.75	5507.53	5707.39
iv) Cash credit	-	-	-
v) Others	6108.12	7001.68	8531.61
vi) Interest accrued and due	-	-	-
d) i) Current Liabilities and Provisions (including AAD)	2578.16	3167.28	4450.42
ii) Provision for Gratuity	19.68	17.09	13.27
e) Deferred Tax Liability (net)	182.31	240.35	309.51
TOTAL	23574.82	25843.69	29801.32

(Rs. in Crore)			
	2003-04	2004-05	2005-06
ASSETS			
f) Gross Block	19876.23	21930.56	24888.25
g) Less : Depreciation	4992.40	5635.04	6372.01
h) Net Block	14883.83	16295.52	18516.24
i) Capital Work-in-Progress & Construction Store and Advances	3876.06	5024.79	6400.86
j) Investments	1851.13	1882.42	2139.41
k) Current Assets, Loans and Advances	2924.80	2611.27	2724.08
l) Deferred Tax Assets	-	-	-
m) Misc. Expenditure not Written Off	39.00	29.69	20.73
n) Accumulated Loss			
TOTAL	23574.82	25843.69	29801.32

o) Working Capital (k-d(l)-c(vi))	346.64	-556.01	-1726.34
p) Capital Employed (h + o)	15230.47	15739.51	16789.90
q) Net Worth (a + b(i) + b(ii)-m-n)	7902.55	8617.02	9708.30
r) Net Worth per Rupee of Paid-up Capital (in Rupees)	2.57	2.69	2.68

2 SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs.4816.93 crores from internal and external sources were realised and utilised during the year as detailed below

(Rs. in Crore)

	AMOUNT	AMOUNT
SOURCES OF FUNDS		
a) Funds from operation		
Profit after tax	1008.93	
Add : Depreciation	736.97	
Add : Misc. exp. written off (net)	8.96	
Add : Deferred Tax	69.16	
	1824.02	
Less : Transfer from Capital Reserve	94.00	
Less : Transfer from Insurance Reserve	0.87	1729.15
b) Increase in borrowed funds		1638.09
c) Decrease in working capital (excluding proposed dividend)		1030.31
d) Issue of Fresh Share Capital		419.38
TOTAL		4816.93

UTILISATION OF FUNDS		
a) Increase in fixed assets		2957.69
b) Grant utilised		17.26.
c) Dividend Paid		208.92
d) Increase in investments		256.99
e) Increase in construction stores & Advances		1302.01
f) Increase in Capital Work in Progress		74.06
TOTAL		4816.93

3 WORKING RESULTS

The working results of the Company for the last three years ending 31st March 2006 are given below :

(Rs. in Crore)

	2003-04	2004-05	2005-06
i) Sales	2435.92	2514.31	3213.27
ii) Other income	369.83	316.97	341.04
iii) Profit before tax and prior period adjustment	756.30	880.94	1241.73
iv) Prior Period adjustment : exp / (-) income	42.01	-27.43	72.74
v) Profit before tax	714.29	908.37	1168.99
vi) Provision for tax (including deferred tax)	-33.91	122.85	160.06
vii) Profit after tax	748.20	785.52	1008.93
viii) Proposed dividend plus dividend tax	141.02	209.28	345.12

4 RATIO ANALYSIS

Some important ratios on the financial health and working of the company at the end of last three years ending 31st March, 2006 are as under :

	2003-04	2004-05	2005-06
A Liquidity ratio			
Current Ratio (k/d (i) + c(vi))	1.13	0.82	0.61
B Debt Equit Ratio			
Long terms debt to equity (c(i to v) but excl. short terms loans)/q	1.55	1.49	1.49
C Profitability Ratios			
a) Profit before tax to (percentage)			
i) Capital Employed	4.69	5.77	6.96
ii) Net worth	9.04	10.54	12.04
iii) Sales (incl. Excise duty)	29.32	36.13	36.38
b) Profit after tax to equity (percentage)	24.34	24.52	27.84
c) Earning per share (In Rupees) (Basic)	247.00	257.00	307.00

5 INVENTORY LEVELS

The inventory levels at the close of the last three years ending 31st March, 2006 are as under :

(Rs. in Crore)

	2003-04	2004-05	2005-06
Stores and spares and Loose tools	196.86	184.27	180.24

6 SUNDRY DEBTORS

The Sundry debtors and Sales in the last three years ending 31st March 2006 are as follows :

Sundry Debtors						
	As on 31st	Considered good	Considered doubtful	Total	Sales	% of Sundry
	March of					Debtors to sales
	2004	485.40	39.29	524.69	2400.58	21.86
	2005	450.70	97.91	548.61	2514.31	21.82
	2006	325.60	80.09	405.69	3213.27	12.63

The agewise breakup of Sundry Debtors at the end of financial year 2005-2006 is as under ;

(Rs. in Crore)

Debtors outstanding for	
Less than six months	322.63
6 months to 1 year	2.76
1 year to 3 years	1.00
More than 3 years	79.30
Total	405.69

Place : New Delhi
Date : 18th July, 2006

(Meera Swarup)
Principal Director of Commercial Audit and
Ex-officio Member, Audit Board-III,
New Delhi

Annexure-V to Directors' Report

REPORT ON CORPORATE GOVERNANCE

The Directors present the Company's Report on Corporate Governance.

THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance is about promoting corporate fairness, transparency and accountability in the best interest of various stakeholders in the company. It is a system by which business corporations are directed and controlled. POWERGRID believes that good governance should entail trusteeship, empowerment and accountability of the management while remaining proactive to the Government policies. POWERGRID's Governance process is focused towards its mission of "establishment and operation of Regional and National Power Grids to facilitate transfer of power within and across the regions with Reliability, Security and Economy on sound commercial principles" based on the well established practices in engineering & design, contracts, project management, finance etc. which are being followed in letter and spirit and are being continually improved upon. POWERGRID, today stands as one of the largest transmission utility in the world and is also ranked amongst one of the best-managed transmission companies in the world.

The Corporate Governance of POWERGRID is geared by the following :

- To meet the short term, medium term & long term objectives and specific targets every year set by the GOI and the persons at the helm of affairs, i.e. the Board, by empowering people at the most appropriate levels keeping the job profile/functions in view.
- To respond to the challenges and the emerging opportunities and to play a pivotal role in the economic development of the country.

The corporate governance structure specifies the distribution of rights, responsibilities and powers among different participants in the corporation. All strategic decisions regarding investment, diversification, major decisions regarding procurement, commercial and finance are proceeded ahead after approval of the Board and also by Govt. of India as the case may be. Presently, the Board of Directors consists of Chairman and Managing Director, Functional Directors and Govt. Nominee Directors. The eminent professionals, from amongst fields of power and finance sectors, are appointed as part-time Directors on the Board of the Company who provide independent input towards corporate strategy in improving organization performance. Presently, the appointment of Independent Directors is awaited. The rights and obligations of the employees are delineated in the policy Manuals published and the amendments are notified from time to time. The powers of the internal participants i.e. top executives and below are laid down in the well established and practiced "Delegation of Powers". POWERGRID has also prepared and implemented "Works and Procurement Policy and Procedure for Pre-award and Post-award Stages" with a view to making the policies and procedures more systematic, transparent and easy to administer with major thrust on expeditious and decentralized decision making coupled with accountability and responsibility. The Board has also constituted several Committees viz. Committee for Award of Contracts relating to RE, APDRP and other Deposit Works, Committee on Feasibility Reports and Revised Cost Estimates, Committee of Bonds etc. to have better and more focused attention. In addition, Committees consisting of eminent independent persons have been constituted with a view to get expert advice on issues concerning (i) Procurement, Project execution & financial aspects raised by external agencies, (ii) Review of Financial Management policies, systems, etc. and (iii) Research and Development aspects. This has been appreciated in the Corporate Governance Report made by Ernst & Young for the World Bank. POWERGRID's Environmental and Social Policy and Procedures (ESPP) which was evolved initially in the Year 1998 has been further upgraded in March, 2005.

Management Discussion and Analysis is Annexed to Directors' Report.

The Company has duly complied with the requirements of the Corporate Governance Code, the disclosure requirements of which are given below :

Board of Directors :

During the Year under review, due to induction / cessation, the composition of the Board has undergone changes. The details of the Directorship held in the company during the year are as under:

Name of Directors	Tenure	Category of Directorship	No. of Other Directorships	No. of Other Committee Memberships	
				Chairman	Member
Dr. R.P. Singh, CMD	Till date	'Executive Director'	Two	One	Nil
Shri. U.C. Misra, Director (Personnel)	Till date	'Executive Director'	Nil	One	Nil
Shri J. Haque, Director (Operations)	Till date	'Executive Director'	Two	Nil	One
Shri S. Majumdar, Director (Projects)	Appointed as Director (Projects) w.e.f. 27.09.2005	'Executive Director'	Nil	Nil	Nil
Shri J. Sridharan, Director (Finance)	Appointed as Director (Finance) w.e.f. 21.12.05	'Executive Director'	Three	Nil	One
Shri. M. Sahoo, JS&FA, Ministry of Power	Till date	'Non-Executive Director'	Eleven	Two	Four
Shri G.B. Pradhan, Jt. Secy., Ministry of Power	Till date	'Non-Executive Director'	One	Nil	Two
Dr. V. K. Garg, Director (Finance)	Ceased to be Director w.e.f. 11.05.05	'Executive Director'	One	Nil	Nil

The number of Chairmanship/ Membership also includes Chairmanship/ Membership in the Committee(s) of POWERGRID.

'Executive Director' means 'Whole -Time Director'.

'Non-Executive Director' means 'Part-Time Director'.

The process of filling up of vacant posts of Non Executive Independent Directors is under approval with Ministry of Power, Government of India.

Board Meetings and Attendance:

The meetings of the Board of Directors are normally held at the Registered office of the Company. Meetings are generally scheduled well in advance and the Notice, detailed Board agenda, management reports and other explanatory Board notes are circulated to the Directors. The members of the Board have complete access to all information of the Corporation. Senior management is also invited to the Board meetings to provide additional input to the items being discussed by the Board.

During the financial year ended 31st March, 2006, thirteen Board meetings were held on 29th April, 27th May, 14th June, 18th July, 1st August, 6th September, 16th September, 17th October, 30th November and 20th December of the year 2005 and on 17th January, 23rd February, and 27th March of the year 2006.

Attendance:

Name	Board Meetings during tenure		Attendance at the last AGM (Held on 16.09.05)
	Held	Attended	
Dr. R.P. Singh, CMD	13	13	Yes
*Dr. V.K. Garg, Director (Finance)	1	1	No
**Shri. S. Majumdar, Director (Projects)	6	6	Yes
^ Shri J. Haque, Director (Operations)	13	12	Yes
Shri U.C. Misra, Director (Personnel)	13	11	Yes
***Shri J. Sridharan, Director (Finance)	3	3	No
Shri M. Sahoo, JS&FA, MOP	13	12	Yes
Shri G.B. Pradhan, JS, MOP	13	11	Yes

*Dr. V.K. Garg ceased to be Director (Finance) w.e.f. 11.05.05. **Shri S. Majumdar appointed as Director (Projects) w.e.f. 27.09.05. ***Shri J. Sridharan appointed as Director (Finance) w.e.f. 21.12.05. ^ Shri J. Haque, Dir (Ops.) assumed the additional charge of Director (Projects) w.e.f. 09.03.2005 for a period of three months upto 08.06.2005.

Remuneration of Directors

Being a Government Company, the Whole time Directors are appointed by the President of India through the Ministry of Power and draw remuneration determined by the Government as per the terms and conditions of their appointment and as amended from time to time.

The remuneration paid to the Directors during the year 2005-06 is as under:

S No.	Directors	Designation	Remuneration (In Lacs)
1.	Dr. R.P. Singh	Chairman & Managing Director	11.11
2.	Shri U.C. Misra	Director (Personnel)	12.03
3.	Shri J. Haque	Director (Operations)	11.61
4.	Shri S. Majumdar*	Director (Projects)	6.84
5.	Shri J. Sridharan*	Director (Finance)	2.00
6.	Dr. V.K. Garg*	Director (Finance)	1.12

* For part of the year

The part-time Government nominees on POWERGRID Board do not draw any remuneration/ sitting fee for Board/Committee meetings from the Company.

Audit Committee:

The Audit Committee was constituted on 27th January, 1999. The constitution of Audit Committee and its terms of reference are in accordance with the Listing Agreement and the provisions of Companies Act, 1956. The role and powers of the Audit Committee are enumerated below:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- To consider and take note of the appointment of statutory auditor, fixation of audit fee and all questions related to the auditors' resignation or dismissal.

- (c) Reviewing the annual financial statements before submission to the Board and to review the quarterly, half yearly results, focusing primarily on:
- (i) Any changes in accounting policies and practices,
 - (ii) Major accounting entries based on exercise of judgment by management,
 - (iii) Qualifications in draft audit report.
 - (iv) Significant adjustments arising out of audit.
 - (v) The going concern assumption.
 - (vi) Compliance with accounting standards.
 - (vii) Compliance with Stock Exchange and legal requirements concerning financial statements.
- (d) Reviewing the adequacy of internal control systems.
- (e) Reviewing the adequacy of internal audit function, discussion with internal auditors, any significant findings and follow up thereon.
- (f) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of Internal control systems of a material nature and reporting the matter to the Board.
- (g) Discussion with external auditors on nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- (h) To review the status of outstanding Govt. Audit paras related to each region and to review the audit reports issued by CAG to Ministry of Power and status of action taken on such reports.
- (i) To look into the reasons for substantial defaults in the payment to the bond holders.
- (j) To investigate any activity within its terms of reference, to obtain outside legal or other professional advice if it considers necessary.
- (k) To consider other matters as referred by the Board.

Composition of Audit Committee during the F.Y. 2005-06 :

Shri. U.C. Misra, Director (Personnel)	Chairman	Executive Director
Shri M. Sahoo, JS&FA, MOP	Member	Non-Executive Director
Shri G.B. Pradhan, JS (Trans.), MOP	Member	Non-Executive Director

Attendance:

During the financial year ended, 31st March, 2006, six meetings of the Audit committee were held on 19th April, 29th April, 18th July, 6th September, 16th September and 30th November of the year 2005.

Attendance at Audit Committee Meetings during the Financial Year 2005-06 :

Name	Audit Committee Meeting held during the Financial Year 2005-06	
	Held	Attended
Shri. U.C. Misra, Director (Personnel)	6	4
Shri M. Sahoo, JS&FA, MOP	6	6
Shri G.B. Pradhan, JS, MOP	6	5

General Body Meetings:

The date, time & venue of last three Annual General Meetings are as under :

Year	Date	Time	Venue
2002-2003	29th September, 2003	2.30p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.
2003-2004	28th September, 2004	1.00p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.
2004-2005	16th September, 2005	4.15p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.

Date of payment of Dividend for the Financial Year 2004-2005:

13th October, 2005.

Listing:-

The Bonds of the Company are listed with :

National Stock Exchange of India Limited.
Exchange Plaza,
Plot No. C/1, G Block,
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051.

Registrar and Transfer Agent.

MCS Limited,
Srivenkatesh Bhavan,
W-40, Okhla Industrial Area,
Phase-II, New Delhi- 110 020.
Ph. 41406149, Fax. 41709881.

Bonds in Electronic Form:

The Company has entered into Tripartite Agreement with NSDL and CDSL for Allotment of Bonds in Electronic Form. All the Existing Bond-holders also have the option of holding their Securities in Electronic Form.

Bondholders holding Bonds in electronic form may please note that:

- (i) Instructions regarding change of address, nomination and Power of Attorney should be given directly to the DP.
- (ii) Instructions already given by the Bondholders for the Bonds held in physical form will not be automatically applicable to the interest paid on Bonds held in electronic form.

Means of Communication :

Quarterly Results are published in the leading newspapers viz Business Standard/ Economic Times/ Financial Express/ Times of India/ Asian Age etc. in English and Hindustan/Udyog Vyapar/ Nav Bharat Times etc. in Hindi version. The profile of the Company is available on the web site of the Company viz. www.powergridindia.com.

Address of correspondence :

(Corporate Office)

The Company Secretary,

Power Grid Corporation of India Limited,
Company Secretariat, 7th Floor,
'Saudamini', Plot No: 2, Sector-29,
Gurgaon-122 001. (Haryana).
Telephone Nos. 0124-2571700-19.

Disclosures:

- There were no materially significant Related Party transactions with the Directors, the management, subsidiaries or relatives of the Directors that have a potential conflict with the interest of the Corporation.
- No infringement of any of the provisions of the law and regulations has been committed by the Company.

Going Concern:

The Directors are satisfied that the Corporation has adequate resources to continue its business for the foreseeable future and consequently consider it appropriate to adopt the going concern basis in preparing financial statements.

Certificate on Corporate Governance:

The Certificate on Corporate Governance is being published as an annexure to the Directors' Report.

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 2.18 OF THE MODEL LISTING AGREEMENT (IN RESPECT OF DEBT SECURITIES)

To
The Members,
Power Grid Corporation of India Ltd,
B-9, Qutab Institutional Area, Katwaria Sarai,
New Delhi-110 016.

- We have examined the compliance of conditions of Corporate Governance, which is recommendatory to Power Grid Corporation of India Ltd., for the year ended 31st March, 2006, as stipulated in Clause 3.0 of the Model Listing Agreement (in respect of Debt Securities-Privately Placed) of the said Company with various Stock Exchanges (hereinafter referred to as 'the Agreement')
- The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- In our opinion and based on our review and to the best of our information and explanations given to us and subject to Para 4 below, we certify that the Company has complied in all material aspect with the conditions of Corporate Governance as stipulated in Clause 2.18 of the Model Listing Agreement (in respect of Debt Securities-Privately Placed).
- As regards Para II of Clause 2.18 of the Listing Agreement, during the year the Audit Committee comprised of three Directors, two Non-executive and one Executive Director. The meetings of the Audit Committee were chaired by an Executive Director.
 - As informed by the management, we state that no investor grievance remaining unattended / pending for more than 30 days, as on 31.03.2006.
- We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For O. P. Bagla & Co.
Chartered Accountants

For B. M. Chatrath & Co.
Chartered Accountants

For Nataraja Iyer & Co.
Chartered Accountants

Sd/-
(Rakesh Kumar)
Partner

Sd/-
(P. R. Paul)
Partner

Sd/-
(E. S. Ranganath)
Partner

Place: New Delhi
Date : 3rd August, 2006

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31st MARCH, 2006

	For the Year Ended March 31, 2006	For the Year Ended March 31, 2005
(Rupees in Crore)		
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	1168.99	908.37
Adjustment for :		
Depreciation (including prior period)	745.04	645.77
Transfer from Grants in Aid	-17.26	-17.51
Amortised Expenditure(DRE written off)	8.87	9.31
Provisions	-66.24	64.36
Self Insurance	-0.87	-1.08
Interest paid on loans	947.45	808.69
Interest earned on bonds	-220.48	-178.62
Dividend received	-0.96	-0.96
Operating profit before Working Capital Changes	2564.54	2238.33
Adjustment for :		
Trade and other Receivables	354.82	191.08
Inventories	4.03	12.53
Trade payables and other liabilities	840.32	338.28
Other current assets	-20.59	139.00
Loans and Advances	27.75	-23.71
Deferred Revenue Expenditure	0.09	0.00
	1206.42	657.18
Direct taxes paid (including FBT)	-84.16	-56.00
Net Cash from operating activities	3686.80	2839.51
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets	-2966.16	-2057.62
Capital work in progress	-74.16	-1325.68
Advance for Capital expenditure	-1301.95	172.36
Investments	-146.74	0.00
Investments in Joint Ventures	-110.25	-31.29
Lease Receivables	-225.00	21.01
Interest earned on bonds	220.48	178.62
Dividend received	0.96	0.96
Net cash used in investing activities	-4602.82	-3041.64
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	419.38	130.00
Loans raised during the year	3608.97	1908.45
Loans repaid during the year	-1970.88	-786.79
Development surcharge received	0.00	-195.23
Interest Paid	-947.45	-808.69
Dividend paid	-183.23	-213.00
Dividend Tax paid	-25.69	-27.84
Adjustment of grant	0.00	5.00
Proceeds from Grants in Aid/reduction in capital reserve	0.00	5.22
Net Cash from Financing Activities	901.10	17.12
D. Net change in Cash and Cash equivalents(A+B+C)	-14.92	-185.01
E. Cash and Cash equivalents(Opening balance)	603.97	788.98
F. Cash and Cash equivalents(Closing balance)	589.05	603.97

Note: Cash and cash equivalents consist of cash in hand and balance with banks and it includes Rs. 18.59 crore not available for use by the Company.

(Divya Tandon)
Company Secretary

For O. P. Bagla & Co.
Chartered Accountants

(O. P. Bagla)
Partner

Place: New Delhi
Date: 13th June, 2006

For and on behalf of the Board

(J. Sridharan)
Director (Finance)

(R. P. Singh)
Chairman & Managing Director

As per our report of even date

For B. M. Chatrath & Co.
Chartered Accountants

For Nataraja Iyer & Co.
Chartered Accountants

(P. R. Paul)
Partner

(E. S. Ranganath)
Partner

Annual Report of Subsidiary

PARBATI KOLDAM TRANSMISSION COMPANY LIMITED

**PARBATI KOLDAM TRANSMISSION COMPANY LIMITED****(Regd. Off : B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi)****DIRECTORS' REPORT**

To,

The Members,

I, on behalf of the Board of Directors, present the fourth Directors' Report of PARBATI KOLDAM TRANSMISSION COMPANY LIMITED together with the audited Statement of Accounts for the financial year 2005-06.

Status of the Company

POWERGRID, the Promoter Company had formed this Company with the object of establishing 400kV D/C Bina-Nagda and 400kV D/C Nagda-Dehgam Transmission Lines through IPTC route on Build, Own, Operate & Transfer (BOOT) basis which could not materialize due to rejection of Transmission License to TNB-KPTL Consortium by CERC. In view of the same, the Board of Promoter Company i.e. POWERGRID decided that this Company may be utilized for taking up the implementation of Transmission Lines associated with Parbati and Koldam HEPs. Accordingly, the name of the Company has been changed from "Bina Dehgam Transmission Company Limited" to "Parbati Koldam Transmission Company Limited" w.e.f. 30.12.2005 for taking up the aforesaid transmission line through Joint Venture Route.

Board of Directors

S/Shri J.Sridharan, Director (Finance) POWERGRID, Anand Mohan, Executive Director, POWERGRID and Ashwani Jain, General Manager, POWERGRID, were the Directors of the Company during the year 2005-06.

Auditors

M/s. Anil Khandelwal & Associates, Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the Company for the year 2005-06.

Auditors' Report

The Auditors' Report to the shareholders does not contain any qualifications. Further, the Comptroller and Auditor General of India has furnished no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of the Company for the year ended 31st March, 2006.

Directors' Responsibility Statement

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to Directors Responsibility Statement, it is hereby confirmed:

- i) that in the preparation of the annual accounts for the year ended 31st March, 2006 the applicable accounting standards had been followed;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the Profit or Loss of the Company for the year under review;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared accounts for year ended 31st March, 2006 on a going concern basis.

Particulars of Employees

Since, the Company has no employee, Section 217(2A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not applicable.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings & Outgo

Since no commercial activity was carried out by the Company, furnishing of information in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to the Company.

Acknowledgement

The Board extends its sincere thanks to POWERGRID and the Auditors of the Company.

For and on behalf of
**PARBATI KOLDAM TRANSMISSION
COMPANY LIMITED.**

(J. Sridharan)
Director

Place : New Delhi.

Date : 3rd August, 2006.



PARBATI KOLDAM TRANSMISSION COMPANY LIMITED
(Formerly BINA DEHGAM TRANSMISSION COMPANY LIMITED)

BALANCE SHEET AS AT 31st MARCH, 2006

(Amount in Rs.)

SCHEDULE	As at 31st March, 2006	As at 31st March, 2005
I. SOURCES OF FUNDS		
Shareholder's Funds		
Capital	500000	500000
TOTAL	500000	500000
II. APPLICATION OF FUNDS		
Current Assets, Loans and Advances		
Current Assets		
Cash & Bank Balances	488795	500000
Less : Current Liabilities & Provisions		
Current Liabilities	70201	61185
Net Current Assets	418594	438815
Miscellaneous Expenditure		
(To the extent not written off or adjusted)	81406	61185
TOTAL	500000	500000
Significant Accounting Policies and Notes forming part of Accounts		

(Schedule 1 to 5 form integral part of Annual Accounts)

As per our Report of even date

For **Anil Khandelwal & Associates**
Chartered Accountants

(Anil Khandelwal)
(Partner)

For and on behalf of Board of Directors

(J. Sridharan)
Director

(Ashwani Jain)
Director

Place : New Delhi
Date : 12th July, 2006

PARBATI KOLDAM TRANSMISSION COMPANY LIMITED
(Formerly BINA DEHGAM TRANSMISSION COMPANY LIMITED)

SCHEDULES-FORMING PART OF ACCOUNTS

(Amount in Rs.)

As at 31st March, 2006	As at 31st March, 2005
---------------------------	---------------------------

SCHEDULE '1'

SHARE CAPITAL

Authorised 50,000 equity shares of Rs. 10/- each	500000	500000
Issued, Subscribed & Paid-up 50,000 equity shares of Rs. 10/- each fully paid up.	500000	500000

(Amount in Rs.)

As at 31st March, 2006	As at 31st March, 2005
---------------------------	---------------------------

SCHEDULE '2'

CURRENT ASSETS, LOANS & ADVANCES

Current Assets		
Cash & Bank Balances	488795	500000
Balance with Scheduled Bank- in Current Account	488795	500000

(Amount in Rs.)

As at 31st March, 2006	As at 31st March, 2005
---------------------------	---------------------------

SCHEDULE '3'

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities		
Power Grid Corp. of India Ltd.	58977	50165
Other Liabilities (Audit Fees 2005-06)	11224	11020
	70201	61185

(Amount in Rs.)

As at 31st March, 2006	As at 31st March, 2005
---------------------------	---------------------------

SCHEDULE '4'

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)		
Preliminary Expenses	26700	26700
Pre-operative Exp.		
Balance as at the beginning of the year	34485	22865
Allocation during the year	20221	11620
	54706	34485
	81406	61185

PARBATI KOLDAM TRANSMISSION COMPANY LIMITED
(Formerly BINA DEHGAM TRANSMISSION COMPANY LIMITED)

SCHEDULES - FORMING PART OF ACCOUNTS

SCHEDULE '5'

(A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

The Company maintains its accounts on accrual basis following the historical cost convention.

(B) NOTES FORMING PART OF ACCOUNTS

1. The company was incorporated on 2nd September, 2002 and certificate of commencement of business has not been obtained so far. The Company has changed its name to "Parbati Koldam Transmission Company Limited" w.e.f. 30.12.2005. As there was no commercial activities during the year, no profit and loss account has been prepared.
2. 49,994 equity shares of Rs. 10/- each are held by the holding company, Power Grid Corporation of India Ltd. Balance 6 shares are held in the name of the officers of POWERGRID as its nominees.
3. The expenditure incurred during the year Rs. 20221/- has been allocated to Pre-operative Expenditure shown under the head "Misc. Expenditure".
4. There are no contingent liabilities.
5. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our Report of even date

For **Anil Khandelwal & Associates**
Chartered Accountants

For and on behalf of Board of Directors

(Anil Khandelwal)
(Partner)

(J. Sridharan)
Director

(Ashwani Jain)
Director

Place : New Delhi
Date : 12th July, 2006

PARBATI KOLDAM TRANSMISSION COMPANY LIMITED
(Formerly BINA DEHGAM TRANSMISSION COMPANY LIMITED)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details				State Code : 055	
Registration No. U40108DL2002GOI116786					
Balance Sheet Date		31	03	06	
		DATE	MONTH	YEAR	
II. Capital Raised during the year (Amount in Rs. Thousands)					
Public Issue		NIL	Rights Issue		NIL
Bonus Issue		NIL	Private Placement		NIL
III. Position of Mobilization and Deployment of funds (Amount in Rs. Thousands)					
Total Liabilities		570	Total Assets		570
Sources of Funds					
Paid-up Capital		500	Reserves & Surplus		NIL
Secured Loans		NIL	Unsecured Loans		NIL
Application of Funds					
Net Fixed Assets		NIL	Investment		NIL
Net Current Asets		419	Misc. Expenditure		81
Accumulated Losses		NIL			
IV. Performance of Company (Amount in Rs. Thousands)					
Turnover		NIL	Total Expenditure		20
Profit/Loss before Tax		NIL	Profit/Loss after Tax		NIL
Earning per Share in Rs.		NIL	Dividend Rate %		NIL
V. Generic Name of three principal Product/Services of Company (As per monetary terms)					
Item Code No.		NOT APPLICABLE			
(ITC) Code					
Product Description		TRANSMISSION OF POWER			

As per our Report of even date

For **Anil Khandelwal & Associates**
Chartered Accountants

For and on behalf of Board of Directors

(Anil Khandelwal)
(Partner)

(J. Sridharan)
Director

(Ashwani Jain)
Director

Place : New Delhi
Date : 12th July, 2006

AUDITOR'S REPORT

To,

The Members,

Parbati Koldam Transmission Company Limited

We have audited the attached Balance Sheet of Parbati Koldam Transmission Company Ltd. (Formerly Bina Dehgam Transmission Company Limited) as at 31st March 2006. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 misstatements. An audit includes examining, on a test basis, evidence supporting the accounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, read with the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (hereinafter referred to as the Act), we enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report as under :
 - a We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c The Balance Sheet is in agreement with the books of account;
 - d In our opinion, the said Balance Sheet has been prepared in Compliance with the accounting standards as prescribed under the provisions of Section 211 (3C) of the Act to the extent applicable;
 - e In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with the Significant Accounting Policies and Notes Forming part of Accounts in Schedule 5 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

In the case of the Balance Sheet, of the state of the Company's affairs as at 31st March 2006.

For **Anil Khandelwal & Associates**
Chartered Accountants

(**Anil Khandelwal**)
Partner
M.No. 87372

Place : New Delhi
Dated : 12th July, 2006

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Auditor's report of even date on the accounts of Parbati Koldam Transmission Company Ltd. (Formerly known as Bina Dehgam Transmission Company Limited) for the year ended 31st March, 2006

1. The company does not own any Fixed Assets.
2. The company does not have inventory.
3. (a) The company has not taken/granted any loans, secured or unsecured from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
(b) The company has not taken/granted any loans and advances in the nature of loans.
4. No internal control procedures are required in absence of any commercial transactions. Certificate of commencement of business is yet to be obtained by the company.
5. There are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
6. The Company has not accepted any deposit under the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
7. The Company was not required to have an internal audit system.
8. The department of Company affairs has prescribed maintenance of cost accounting records under section 209(1)(d) of the Companies Act, 1956. However, cost accounts have not been prepared since there is no commercial activity during the year.
9. (a) The provisions of Provident Fund and Employees State Insurance Scheme are not applicable to the company.
(b) There were no disputed amounts in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues outstanding as at 31st March, 2006 for a period of more than six months from the date they become payable.
10. Since, the company is less than 5 years old, this clause does not apply.
11. Since, the company does not have any borrowings, this clause does not apply.
12. Since, the company has not granted any loans or advances, this clause does not apply.
13. This clause does not apply to the company.
14. Since, the Company has not made any transactions during the year regarding trading in shares, securities, debentures and other investments, this clause does not apply.
15. Since, the company has not given any guarantee for loans taken by others from bank or financial institutions, this clause does not apply.
16. Since, the company has not taken any term loans, this clause does not apply.
17. Since, the company has not raised any funds, this clause does not apply.
18. Since, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act, this clause does not apply.
19. Since, the company has not issued debentures, this clause does not apply.
20. Since, the company has not raised money by public issue, this clause does not apply.
21. Since, the company has not yet started commercial operations, this clause does not apply.

For **Anil Khandelwal & Associates**
Chartered Accountants

(**Anil Khandelwal**)
Partner
M.No. 87372

Place : New Delhi
Dated : 12th July, 2006



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF PARBATI KOLDAM TRANSMISSION COMPANY LIMITED, NEW DELHI FOR THE YEAR ENDED 31ST MARCH 2006

I have to state that the Comptroller and Auditor General of India has no comments upon or supplement to the Auditors' Report under Section 619(4) of the Companies Act, 1956 on the accounts of Parbati Koldam Transmission Company Limited, New Delhi for the year ended 31st March 2006.

Place : New Delhi
Dated : 21st July, 2006

(Meera Swarup)
Principal Director of Commercial Audit and
Ex-officio Member, Audit Board-III,
New Delhi