

WORLD-CLASS, FUTURE-READY.

POWERGRID takes its power transmission expertise places...



One of the largest Transmission Utilities in the world wheeling about 45% of the total power generated in India through its transmission network of 71,500 Circuit Kms with availability of more than 99%.

POWERGRID constantly endeavours to evolve and adopt unique and elaborate systems and procedures relating to project planning, execution and maintenance of its EHV transmission system. POWERGRID's core competence includes system studies, design, detailed engineering, procurement, construction, operation and maintenance of extra high voltage AC and HVDC Transmission Systems, Load Dispatch & Communication System and Telecom Infrastructure. By leveraging its strong in-house technical expertise developed over the years, POWERGRID is offering consultancy in execution of large power transmission projects and other related areas from concept to commissioning globally.

Energizing the present, to keep the future charged!

www.powergridindia.com



पावरग्रिड

POWER GRID CORPORATION OF INDIA LIMITED
(A Government of India Enterprise)

Registered Office: B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi 110016.
Corporate Office: Saudamini, Plot No.2, Sector 29, Gurgaon (Haryana) 122001.

www.powergridindia.com

ANNUAL REPORT 2008-2009



पावरग्रिड



Transmitting Power... Transmitting Happiness

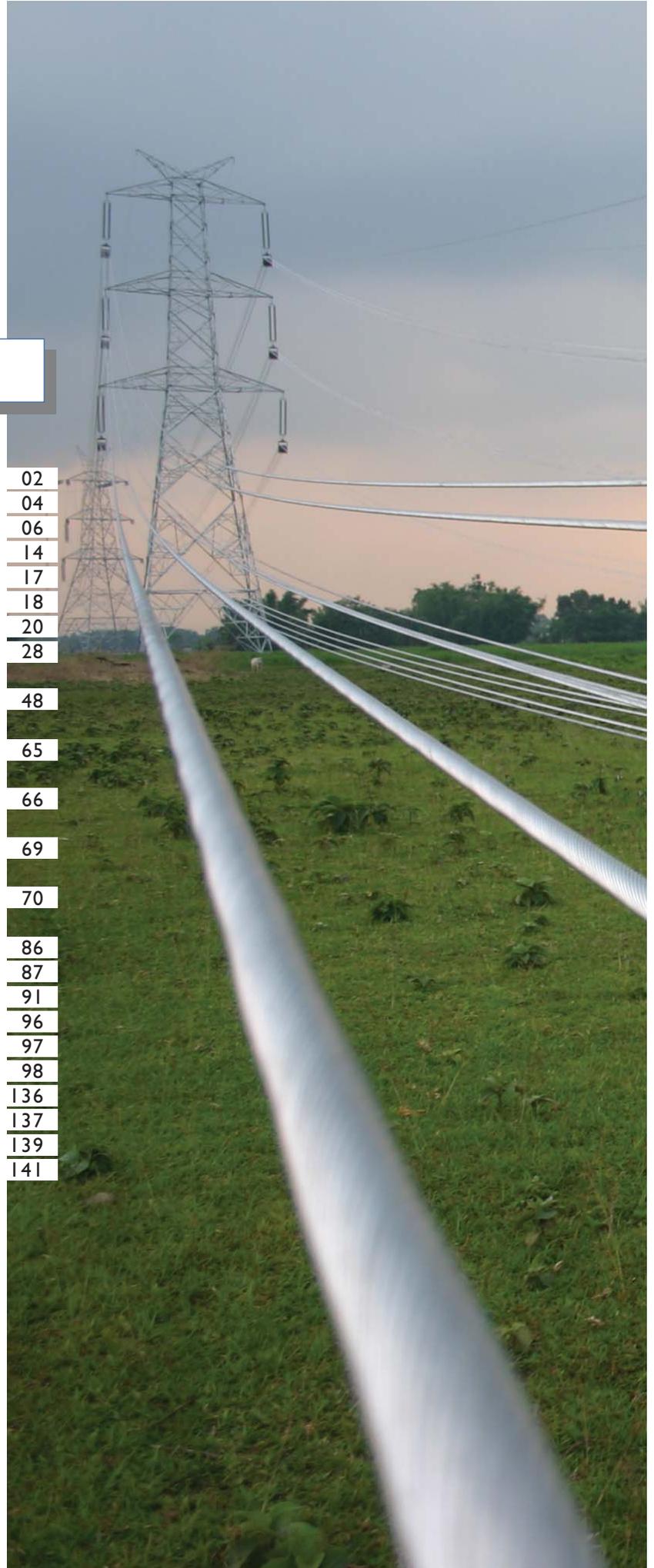
ANNUAL REPORT 2008-2009



Designed & Printed at Shiruli Arts.

CONTENTS

Mission	02
Reference Information	04
Directors' Profile	06
List of Senior Executives	14
POWERGRID's Performance	17
Five Year Summary	18
Chairman Speaks	20
Directors' Report	28
Annexure I	
[Management Discussion & Analysis]	48
Annexure II	
[Particulars of employees u/s 217(2A)]	65
Annexure III	
[Particulars u/s 217(1)(E)]	66
Annexure IV	
[Comments of C&AG]	69
Annexure V	
[Report on Corporate Governance]	70
Annexure VI	
[Certificate on Corporate Governance]	86
Revenue Expenditure on Social Overheads	87
Accounting Policies	91
Balance Sheet	96
Profit & Loss Account	97
Schedules	98
Auditors' Report	136
Annexure to Auditors' Report	137
Cash Flow Statement	139
Annual Report of Subsidiary	141





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.



Meerut Substation

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 Governments;
- (iv) Generating Companies;
- (v) Regional Electricity Boards;
- (vi) Authority;
- (vii) Licensees;
- (viii) 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 in 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

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

- Established Broadband Telecom Network of 20,000 kms connecting over 100 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 6 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 etc.
- Extend 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.
- Possesses National Long Distance (NLD), Internet Service Provider (ISP) Category-A and Infrastructure Provider Category-I (IP-I) Licenses 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 on VPNs Data Centres.
 - Voice Over Internet Protocol (VOIP)



REFERENCE INFORMATION

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)

Registrar & Share Transfer Agent
Karvy Computershare Private Limited
Plot No.: 17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Ph.: 040-23420815 to 824
Fax : 040-23420814
Email: einward.ris@karvy.com
Website: www.karvycomputershare.com

Shares Listed at:
National Stock Exchange of India Limited
Bombay Stock Exchange Limited

Depositories
National Securities Depository Limited
Central Depository Services (India) Limited

Company Secretary
Ms. Divya Tandon

Statutory Auditors
A. R. & Co.
Chartered Accountants
A-403, Gayatri Apartment,
Airlines Group Housing Society,
Plot No. 27, Sector 10, Dwarka,
New Delhi - 110 075.

Umamaheswara Rao & Co.
Chartered Accountants
Flat No. 5-H, 'D' Block, 8-3-324,
Krishna Apartments, Yellareddyguda Lane,
Ameerpet 'X' Roads, Hyderabad - 500 073.

S R I Associates
Chartered Accountants
3-B, Garstin Place, Kolkata - 700 001.

Bankers
Indian Overseas Bank
ICICI Bank
Union Bank of India
Bank of Baroda
State Bank of Hyderabad
State Bank of India
State Bank of Patiala
Corporation Bank
Canara Bank
Dena Bank
Punjab National Bank
Indian Bank
J & K Bank
IDBI Bank
HDFC Bank
Allahabad Bank
Bank of India





Directors' Profile

Where Meeting Challenges is a Way of Life...



DIRECTORS' PROFILE



Shri S. K. Chaturvedi

Chairman & Managing Director

Shri S. K. Chaturvedi, aged 58 years, is the Chairman & Managing Director of our Company. He is a First Class First Graduate and Post Graduate in Science from University of Lucknow. He holds a Post Graduate Diploma in Personnel Management & IR and is a seasoned HR professional with varied experience of more than 30 years in the area of Human Resource Management, Industrial Relations and Organisational Development. He has also worked with NMDC, the then a subsidiary of Steel Authority of India Ltd., NTPC Ltd., POWERGRID (for more than thirteen years in POWERGRID from August 1991) in various capacities in HR and then joined NHPC Ltd. as Director (Personnel) in October, 2004. A strong votary of human development, Shri Chaturvedi has introduced several new concepts of employee development and was responsible for initiating several progressive HR policies in the organizations he has served. Shri Chaturvedi joined POWERGRID as Chairman & Managing Director on 01.08.2008.

Shri S. Majumdar*, is the Director (Projects) of our Company. He graduated with a Bachelor in Engineering degree from Calcutta University. He has 38 years of diverse work experience in the fields of corporate planning, distribution management services and contract services and materials. Prior to joining our Company in January 1991, he has worked in organisations such as National Thermal Power Corporation Limited, Damodar Valley Corporation, Calcutta Telephones and Indo-German Prototype Development Training Centre. He was appointed as a Director on our Board in September 2005. He also held additional charge of Chairman & Managing Director of POWERGRID from 30.05.2008 to 31.07.2008.

* Shri S. Majumdar will be superannuating on 31.08.2009.



Shri S. Majumdar
Director (Projects)



Shri J. Sridharan, aged 58 years, is the Director (Finance) of our Company. He graduated with a Bachelor of Commerce degree from Madras University. He is a member of Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India. He has 34 years of work experience primarily in the field of financial management. Prior to joining our Company in 2000, he has worked in organizations such as Airport Authority of India and Bharat Heavy Electricals Limited. He was appointed as a Director on our Board in December, 2005.

Shri J. Sridharan
Director (Finance)



Shri V. M. Kaul aged 57 years, is the Director (Personnel) of our Company. He is a first class Bachelor of Mechanical Engineering from IIT, Delhi with MBA Degree from IGNOU. Shri Kaul has over 35 years of work experience primarily in the power sector. He has previously held the position of Executive Director (Human Resource), Executive Director in-charge of Private Investment and Business Development and Corporate Planning. Prior to joining our company Shri Kaul has worked for 23 years in NTPC and handled various multi-disciplinary functions like Contract Management, Project Management, Joint Venture, Quality Assurance and Inspection; five years in Engineers India Limited. He was appointed as a Director on our Board in March, 2009.

Shri V. M. Kaul
Director (Personnel)



Shri R.N.Nayak, aged 53 years, is the Director (Operations) of our Company. He is a first class Bachelor of Electrical Engineering from REC Rourkela and holds an M.Tech(Electrical) from IIT Kharagpur. Shri Nayak has over 31 years of work experience, primarily in the power sector. He has worked for more than 19 years in POWERGRID and handled various multi-disciplinary functions like Engineering, Load Despatch & Communication, Contract Management, Quality Assurance and Inspection; Telecom and Human Resources. He has previously held the positions of Executive Director (Engineering & QA&I); Executive Director (Human Resource), Executive Director (R&D) in POWERGRID. Prior to joining POWERGRID in 1990, he has worked for about 7 years in NTPC and had a stint with SAIL. He has introduced many new technologies in the Indian Power Sector such as ± 800 KV HVDC and 1200 KV AC UHV. He has also published and presented a large number of technical papers in various reputed International/National journals/conferences. Considering his contribution to power sector, he has been awarded P.M. Ahluwalia Award, is a Senior Member of IEEE and has been honored with Fellow of the Indian National Academy of Engineering(INAE) in Electrical Engineering Field. He was appointed as a Director on our Board in May, 2009.

Shri R.N.Nayak
Director (Operations)



Shri Sudhir Kumar, aged 53 years, is a government nominee Director of our Company. He graduated with a Master of Commerce degree from Delhi School of Economics. Shri Kumar is an Indian Administrative Services officer of Bihar cadre since 1982. He is currently Joint Secretary in the Ministry of Power. Prior to that, Shri Kumar was Officer on Special Duty to the Minister for Railways, GOI and has also held various administrative posts in the State of Bihar and Jharkhand. He was appointed as a Director on our Board in May, 2009.



Shri Sudhir Kumar
Government Nominee



Shri Rakesh Jain, aged 52 years, is a government nominee Director of our Company. He holds Masters Degree in Physics from Delhi University. He is an officer of Indian Audit & Accounts Service (1981). He is currently Joint Secretary and Financial Adviser (JS&FA) in the Ministry of Power and also holds additional charge of the post of JS&FA of the Ministry of Labour & Employment. Prior to that, Shri Jain was in the office of C&AG. He has held various important positions such as Director General (Accounts, Entitlement, Complaints & Information System); Principal Director (Report States) – Office of Comptroller & Auditor General of India; Accountant General (AG) (Audit), Rajasthan; AG(AE-II) Madhya Pradesh; Principal Director (Commercial Audit) Ranchi and Principal Director of Audit, Embassy of India, Washington, USA. He was appointed as a Director on our Board in June, 2009.

Shri Rakesh Jain
Government Nominee



Dr. P. K. Shetty, aged 47 years, is an Independent Director of our Company. He graduated with a Master of Science degree from University of Agricultural Science, Dharwad, Karnataka and also holds a PhD from the Indian Agricultural Research Institute, New Delhi. He was the Head of the Environmental Studies Unit and also served as the Dean (Administration) at the National Institute of Advanced Studies, Bangalore. He is currently the Professor and Dean (School of Natural Sciences and Engineering) at National Institute of Advanced Studies, Bangalore; Director, Advanced Research Institute, Bangalore and is also the Honorary Chairman, MEDT Group of Institutions, Bangalore. He was appointed as a Director on our Board in July, 2007.

Dr. P. K. Shetty
Independent Director



Dr. A. S. Narag, aged 63 years, is an Independent Director of our Company. He graduated with a Master of Science degree and PhD from Delhi University and also holds an ITP Certificate from Graduate School of Business Administration, Harvard University. He has served as the Dean, Faculty of Management Studies, University of Delhi and has held various important positions in the University of Delhi. He is currently a professor at the Faculty of Management Studies, University of Delhi. He was appointed as a Director on our Board in July, 2007.

Dr. A. S. Narag
Independent Director

Shri Anil K. Agarwal, aged 54 years, is an Independent Director of our Company. He graduated with a Master of Commerce degree from University of Delhi and also holds a Post Graduate Diploma in Business Management from University of Delhi. He has been actively involved in Industry Associations for development of International Trade and Investments and was the President of the Associated Chambers of Commerce and Industry of India (the 'ASSOCHAM'). He is currently the Chairman of the International Affairs of the ASSOCHAM and a Council Member of the Institute of Chartered Accountants of India. He was appointed as a Director on our Board in July, 2007.



Shri Anil K. Agarwal
Independent Director



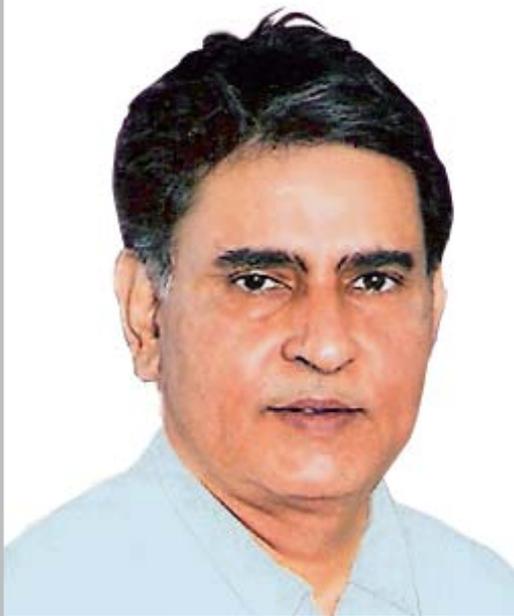
Shri F. A. Vandrevala, aged 58 years, is an Independent Director of our Company. He graduated with a Bachelor of Technology degree in Electrical Engineering from Indian Institute of Technology, Kharagpur and also holds a Post Graduate Diploma in Business Management from Xavier's Labour Relations Institute, Jamshedpur. He has over 35 years of work experience primarily in the field of Steel, Power and Telecom. He is currently the Chairman and Managing Director of Hirco Developments Private Limited. He was appointed as a Director on our Board in July, 2007.

Shri F. A. Vandrevala
Independent Director



Shri S. C. Tripathi, aged 63 years, is an Independent Director of our Company. He holds a Master's degree in Science (Physics – Spl. Electronics) from Allahabad University, LL.B, Diploma in Development (Cantab.), AIMA Diploma in Management. He joined the Indian Administrative Services in 1968 and retired as Secretary to the Government of India, Ministry of Petroleum and Natural Gas on 31.12.05. He has held important positions in Government both at the State and Central level. He spent nearly 20 years in Finance and Industry Sector at Chief Executive/Secretary level at State and Chief Executive/Jt. Secretary/Addl. Secretary/Secretary level at Central Govt. and in representative capacity at International levels. He was appointed as a Director on our Board in April, 2008.

Shri S. C. Tripathi
Independent Director



Shri Ashok Khanna, aged 61 years, is an Independent Director of our Company. He is a first class B.Tech. (Hons.) in textile from Bradford University (U.K.). He is Ex. President of PHD Chamber of Commerce and Industry (PHDCCI) and Founder Chairman of Confederation of Indian Industry (CII), Himachal Pradesh. He has been on the Managing Committee of Federation of Indian Chambers of Commerce and Industry (FICCI) and also remained Member/Director of various important organizations/associations. Presently, he is on the Managing Committee of Associated Chambers of Commerce and Industry of India (ASSOCHAM) and is Chairman-Internal Trade Committee of ASSOCHAM. He was appointed as Director on our Board in April, 2008.

Shri Ashok Khanna
Independent Director

Smt. Sarita Prasad, aged 62 years, is an independent Director of our Company. She holds a Masters Degree in Economics from the Delhi School of Economics and Diploma in Development Administration from Birmingham University U.K. She joined the Indian Administrative Service in 1969 and retired as Secretary to Government of India, Ministry of Social Justice and Empowerment on 31.08.2006. She has held important postings in the Central and State Government. She was Managing Director of three State Corporations and Financial Commissioner, Irrigation and Water Supply in the State Government. In the Government of India she worked as Director in the Ministry of Defence and Joint Secretary in the Ministry of Personnel. She is a Director of our Board with effect from August, 2008.



Smt. Sarita Prasad
Independent Director



Shri S. Nandkeolyar, aged 52 years, belongs to the Indian Audit & Accounts Service (1982). During his service career he has had wide experience in the fields of Audit & Financial Management, besides serving with distinction with Govt. of India as Under Secretary, Dy. Secretary and Director in Cabinet Secretariat and DOP&T. He has also conducted audit of Indian Embassies abroad and the United Nations. He has been appointed as Chief Vigilance Officer of POWERGRID in July, 2005.

Shri S. Nandkeolyar
Chief Vigilance Officer

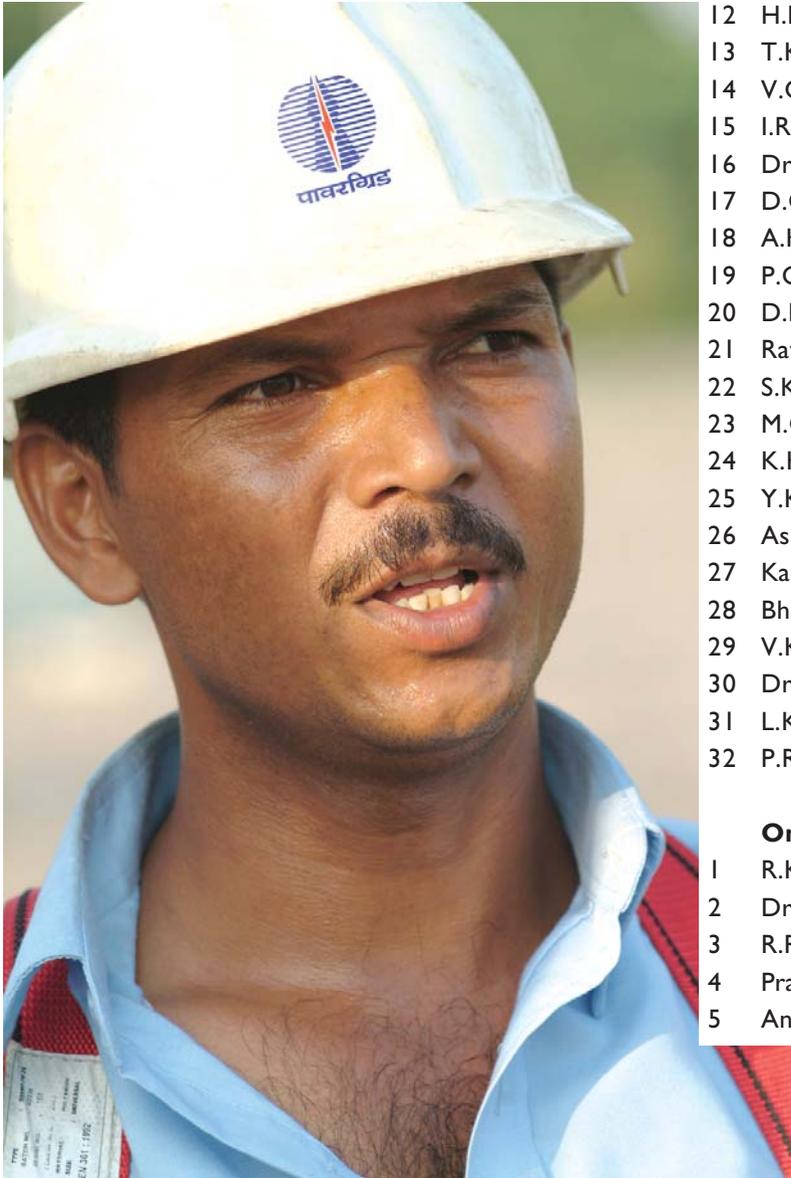


LIST OF SENIOR EXECUTIVES (BELOW BOARD LEVEL) AND REGIONAL / RLDC HEADS

SL	NAME (S/SHRI)	DESIGNATION
1	R.G.Yadav	ED (OS), CC
2	U. Chandra	ED (Commercial), CC
3	I.C. Jaiswal	ED (IB & ESMD), CC
4	Ganesh Singh	ED (DMS), CC
5	S.K. Soonee	ED (SO), CC
6	I.S. Jha	ED (Engg-II), CC
7	D. Chowdhury	ED (CMG), CC
8	T.S.P. Rao	ED (LAW), CC
9	R.T. Agarwal	ED (F&A), CC
10	S. Singh	ED (CS), CC
11	R.P. Ojha	ED (HR), CC
12	H.L. Tayal	ED (BDD), CC
13	T.K. Wali	ED (Telecom), CC
14	V.C. Jagannathan	ED (F&A), CC
15	I.R. Kidwai	ED (HR), CC
16	Dr. S.K. Agarwal	ED (OS), CC
17	D.G. Sohony	ED (I/c Region), SR-II
18	A.K. Dutta	ED (I/c Region), WR-II
19	P.C. Pankaj	ED (I/c Region), NR-I
20	D.K. Valecha	ED (I/c Region), WR-I
21	Ravi P. Singh	ED (I/c Region), ER-II
22	S.K. Datta	ED (I/c Region), SR-I
23	M.G. Raoot	ED (I/c Office), WRLDC
24	K.K.Choudhury	ED (I/c Region), NER
25	Y.K. Sehgal	ED (Testing Stn), WR-II
26	Ashwani Jain	ED (I/c Region), NR-II
27	Kaushal K. Agrawal	ED (I/c Region), ER-I
28	Bharat Bhushan	ED (Dubai Projects), SR-II
29	V.K. Agarwal	GM (I/c Office), NRLDC
30	Dr. L. Hari	GM (I/c Office), ERLDC
31	L.K. Kanungo	GM (I/c Office), NERLDC
32	P.R. Raghuram	GM (I/c Office), SRLDC

On Deputation to other Organisations

1	R.K. Vohra	ED (On Deputation to NETCL)
2	Dr. N.S. Saxena	ED (DG of NPTI)
3	R.P. Sasmal	ED (On Deputation to TPTL)
4	Prabhakar Singh	ED (On Deputation to Jaypee Powergrid)
5	Anjan Roy	ED (On Deputation to MSETC)



As on 25.07.2009

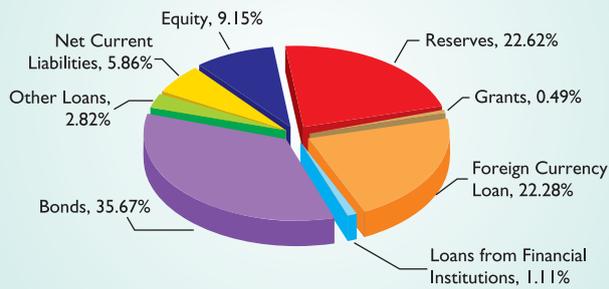


Board of Directors

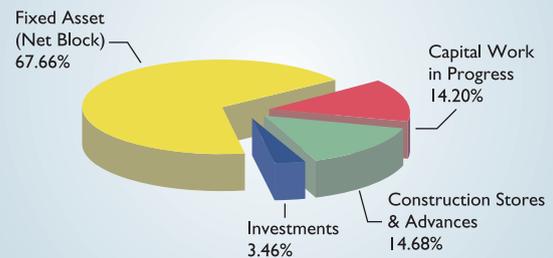


POWERGRID'S PERFORMANCE

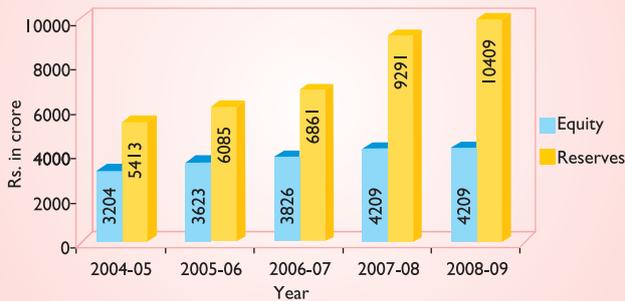
SOURCES OF FUNDS, 2008-09



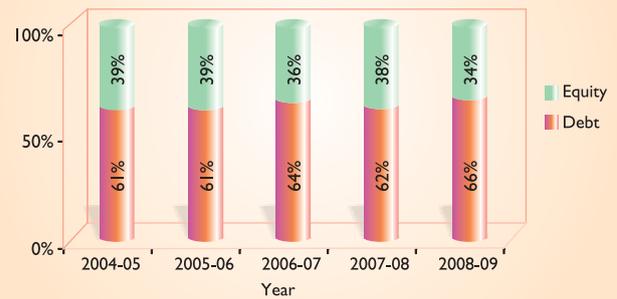
APPLICATION OF FUNDS, 2008-09



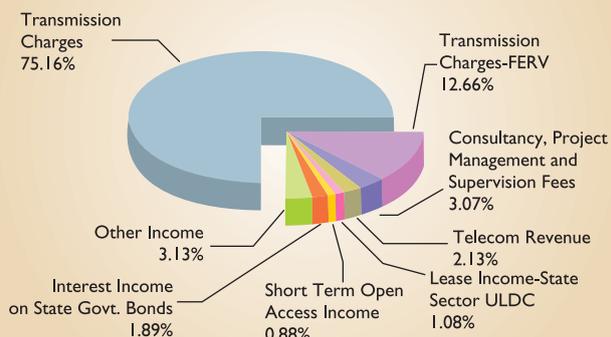
EQUITY AND RESERVES



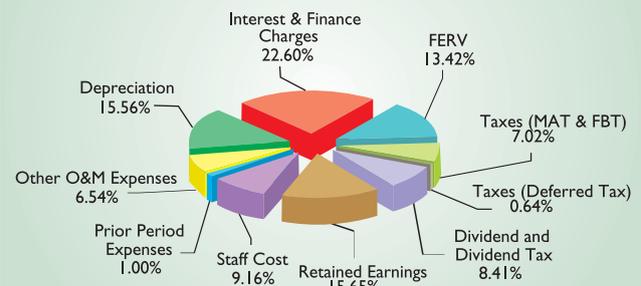
DEBT EQUITY RATIO (%)



INCOME BREAK-UP (%) 2008-09



DISTRIBUTION OF REVENUE - 2008-09





FIVE YEAR SUMMARY

OPERATING RESULTS

(Rs.in crore)

	2008-09	2007-08	2006-07	2005-06	2004-05
(A) EARNED FROM :					
Transmission Charges	6172.66	4188.52	3248.00	2905.27	2296.83
Consultancy & other income	855.88	893.01	849.15	649.04	534.45
Total Earnings	7028.54	5081.53	4097.15	3554.31	2831.28
(B) PAID & PROVIDED FOR :					
Employees Remuneration & Benefits	643.88	519.06	338.88	256.81	227.18
Transmission Expenses	199.61	171.55	164.44	92.57	87.18
Administration Expenses	208.10	162.42	142.05	122.36	109.14
Other Expenses(Including Prior Period Adj.)	74.26	189.51	-9.15	80.17	-26.43
Deferred Revenue Expenditure	1.83	5.43	8.19	8.86	9.31
Provisions	46.23	3.83	2.74	132.77	65.58
Total Expenditure					
(Excluding Depreciation & Interest)	1173.91	1051.80	647.15	693.54	471.96
Profit before Depreciation & Interest	5854.63	4029.73	3450.00	2860.77	2359.32
Depreciation	1093.97	959.65	827.58	744.33	642.26
Interest & Finance Charges	2532.09	1339.55	1140.42	947.45	808.69
Net Profit after Interest & Depreciation but before Tax	2228.57	1730.53	1482.00	1168.99	908.37
Provision for tax (MAT)	478.60	197.11	134.09	83.16	64.81
Fringe Benefit Tax	14.60	10.50	8.72	7.74	-
Net Profit after MAT and FBT	1735.37	1522.92	1339.19	1078.09	843.56
Deferred Tax	44.76	74.45	109.82	69.16	58.04
Profit after Deferred Tax	1690.61	1448.47	1229.37	1008.93	785.52
Dividend	505.08	505.08	368.82	302.68	184.00

FINANCIAL POSITION
(Rs.in crore)

	2008-09	2007-08	2006-07	2005-06	2004-05
(A) WHAT THE COMPANY OWNED:					
Gross Fixed Assets	40319.33	35417.14	29014.63	24888.25	21930.56
Less: Depreciation	9190.89	8061.94	7198.56	6372.01	5635.04
Net Fixed Assets	31128.44	27355.20	21816.07	18516.24	16295.52
Capital Work in Progress and Construction Stores & Advances	13286.00	8758.09	9440.39	6400.86	5024.79
Investments	1592.83	1736.22	1967.00	2139.41	1882.42
Current Assets ,Loans & Advances	8312.92	5376.78	3509.72	2724.08	2611.27
TOTAL (A)	54320.19	43226.29	36733.18	29780.59	25814.00
(B) WHAT THE COMPANY OWED:					
Borrowings From:					
- Govt. of India	-	-	49.53	59.34	66.53
- Financial Institutions	511.19	602.84	643.27	727.79	812.30
- Foreign Loans	10248.83	7006.16	6135.66	5707.39	5507.53
- Bonds	16409.57	13257.81	10999.54	7133.28	5502.51
- Other Loans	1295.84	1396.67	1497.50	1398.33	1499.17
Total Loans	28465.43	22263.48	19325.50	15026.13	13388.04
Current Liabilities & Provisions	8313.19	5024.98	4835.16	3641.46	2574.04
Deferred Tax Liability	538.54	493.78	419.33	309.51	240.35
Advance against Depreciation	2159.59	1697.07	1201.17	822.23	610.33
TOTAL (B)	39476.75	29479.31	25781.16	19799.33	16812.76
(C) NET WORTH OF THE COMPANY REPRESENTED BY :					
(i) Equity capital(including Deposit)	4208.84	4208.84	3826.22	3623.44	3204.06
ii) Free Reserves and Surplus	10414.75	9298.53	6874.21	6105.59	5442.65
iii) Less: Misc. Exp. to the extent not written off	5.50	7.19	12.86	20.73	29.69
TOTAL (C)	14618.09	13500.18	10687.57	9708.30	8617.02
(D) COMMITTED RESERVES & LIABILITIES					
i) Capital Reserves	-	-	-	-	94.00
ii) Grants in Aid	225.35	246.80	264.45	272.96	290.22
TOTAL (D)	225.35	246.80	264.45	272.96	384.22
TOTAL (B+C+D)	54320.19	43226.29	36733.18	29780.59	25814.00
CAPITAL EMPLOYED (Net Fixed Assets+Net Current Assets)	28430.04	25516.15	18870.13	16467.12	15482.07
(E) RATIOS					
Net Profit to Capital Employed(%)	5.95	5.68	6.51	6.13	5.07
Net Profit to Net Worth(%)	11.57	10.73	11.50	10.39	9.12
Net Worth per Rupee of Paid-up Capital (in Rs.)	3.47	3.21	2.79	2.68	2.69
Debt/Equity Ratio	66:34	62:38	64:36	61:39	61:39
Liquidity Ratio	0.75:1	0.75:1	0.54:1	0.57:1	0.76:1

Note: Previous Year figures have been regrouped/ rearrange wherever necessary



CHAIRMAN SPEAKS

at the 20th Annual General Meeting at New Delhi on 9th September, 2009

Shri S. K. Chaturvedi
Chairman & Managing Director

Ladies and Gentlemen,

On behalf of the Board of Directors, I have great pleasure in welcoming you to the 20th Annual General Meeting of your Company.

It is my proud privilege to address this meeting of POWERGRID.

In the past year, despite global slowdown and recession in developed countries, India has been able to maintain its growth momentum and has registered a GDP growth of 6.70%. Macro-economic indicators like inflation which has been arrested well below 1%, a stable government at the Centre, the expected boost in Govt. spending in infrastructure along with lower interest rate regime are all factors which indicate a strong momentum of growth in our country. There is a perceptible growth in the Energy sector and particularly in power sector.

India has been endowed with abundant natural energy resources to generate electric power. These resources, however, are largely concentrated in certain pockets. About 90% of coal reserves are to be found mainly in five States of Eastern & Central India, viz. Orissa, Jharkhand, West Bengal, Chattisgarh & Madhya Pradesh. Renewable hydro-power potential of about 150,000 MW is available mainly in the hilly belt of the Northern and North-Eastern regions of India. Further, a number of nuclear power plants and coastal location coal based power plants with large generation capacities are coming-up at diverse places. The electricity generated by them will need to be transmitted to far-flung load centres situated across the States and regions. Because of these reasons, inter-State power transmission will need to be augmented.

The geographical vastness of our country leads to a diversity in load pattern and distinct peaking time during the time-of-day, which provides considerable scope for better operation of the power plants through inter-regional transfer of power.

All the above facts lay emphasis on the need to transmit bulk power across the country to harness the



Hon'ble Chief Minister of Delhi, Smt. Sheila Dikshit presenting the First DSIJ PSU Awards 2009

environmental and economical benefits through optimal utilization of available natural resources. Your company will therefore continue to play an important role through its large reliable transmission network.

POWERGRID is presently wheeling about 45% of the total power generated in the country. But in the near future, it is expected to wheel above 60% of the total power generated in the country.

Friends, with your permission I take as read the Director's Report and the final accounts of the Company which have already been provided for the period ending 31st March, 2009.

You would be glad to know that after the Company was conferred the coveted 'Navratna' status by the GoI in May, 2008, investment approvals for projects with an estimated cost of more than Rs. 40,000 Crore has been accorded by the Board of Directors.

Continuing the track record of achieving an "Excellent" rating since the signing of its first MoU for 1993-94 with MoP, the Company's performance during the year 2008-09 also exceeded most of the performance parameters set for the "Excellent" rating under Memorandum of Understanding (MoU)

signed with GoI and POWERGRID is now poised to achieve "Excellent" rating with composite score of "1.00".

The main highlights of your Company during FY 2008-09 have been, the enhancement of inter-regional power transfer capacity of National Grid to about 20,800 MW from 17,000 MW during the previous year 2007-08, the establishment of a National Load Despatch Centre at Delhi for optimum scheduling and dispatch of electricity among the Regional Load Despatch Centres and commissioning of the prestigious consultancy assignment of construction of the Pul-e-Khumri to Kabul Transmission System in Afghanistan.

Your Company has received Three National Awards which include one gold and two silver medals for meritorious performance in the field of Transmission for system availability and early completion of projects for the year 2007-08.

I am pleased to share with you the fact that your Company has also received various awards and accolades like the IEEMA Power Awards 2009 for "Excellence in Power Transmission", "All India Organization of Employers Industrial Relations Award 2007-08" and "The First DSIJ PSU Awards 2009" by Dalal Street Group of Publications. It has been chosen for the prestigious "Star" Public Sector Company Award for 2007-08 for its game-changing role in the industry by Business Standard, a leading financial daily of the country.

FINANCIAL PERFORMANCE

The Company made an investment of Rs. 8,095 Crore during FY 2008-09 surpassing the BE target of Rs. 8,040



Crete set for the Company, an increase of about 22% over investments made last year (Rs. 6,656 Crore). Funding for this investment has been arranged from the domestic market, multilateral funding agencies like The World Bank (WB) and the Asian Development Bank (ADB), besides cash generated from our operations.

Our Gross Turnover for the year grew by about 38.3% to Rs. 7029 Crore from Rs. 5,082 Crore in the FY 2007-08. Similarly, Profit after Tax during the year increased to Rs. 1691 Crore from Rs. 1,448 Crore during the previous year, thereby registering a year-on-year (yoy) growth of about 16.8%.

PROJECT IMPLEMENTATION

On the project implementation front, dear shareholders, your company has performed highly satisfactorily. It has proven yet again that through excellent team work, big achievements can be accomplished. I would like to acknowledge the dedication and hard work put in by our employees and at the same time I would like to quote H.E.Luccock here,

"No one can whistle a symphony. It takes a whole orchestra to play it."

We commissioned transmission projects worth about Rs. 3734 Crore during the year, adding about 4642 ckm. of EHV AC & HVDC transmission lines, 09 nos. of new sub-stations and transformation capacity of about 6,400 MVA to our transmission network.

Moreover, during the year 2008-09, 26 new projects with an estimated cost of more than Rs. 40,000 Crore involving about 21,178 ckm. of transmission lines and 19 nos. sub-stations with transformation capacity of about 52565 MVA and HVDC terminals of 6000 MW were taken up for implementation. In addition, 14 new projects with an estimated cost of more than Rs. 18,000 Crore, involving about 6,850 ckm. of 765/400/220/132 kV transmission lines and 13 nos. new sub-stations with transformation capacity of 38,150 MVA and HVDC terminals of 4,000 MW capacity have been conceptualized.

At the end of Mar'09, transmission projects, being set up at a cost of about Rs. 62,000 Crore involving 38,000 ckm. of transmission lines, 44 nos. new sub-stations and transformation capacity of 67,000 MVA are under various stages of implementation.

Your Company has also been entrusted by Govt. of India with developing transmission systems for the evacuation of power from four Ultra Mega Power Projects (UMPPs) viz. Mundra, Sasan, Krishnapatnam and Tillaiyya UMPP. Necessary actions have been taken for the implementation of these transmission projects matching with the generation projects.

Further, we have also started action for the implementation of ± 800 kV, 6000 MW HVDC Bi-pole line, the first of its kind having the largest power carrying capacity and transmitting power over more than 2000 kms. from North Eastern Region (Biswanath Chariyali in Arunachal Pradesh) to Northern Region (Agra in Uttar Pradesh).

OPERATIONAL PERFORMANCE

Your Company, by putting pioneering efforts in O&M, has achieved an excellent operational performance.

Our gigantic transmission network of about 71,500 ckm. of EHV AC & HVDC transmission lines along with 120 sub-stations and transformation capacity of more than 79,500 MVA, spread over entire stretch of the country, was maintained at an availability of 99.55%. We continued to carry about 45% of total power generated in the country and our transmission losses are less than 3-4% which is comparable with the best international standards.

Also, by bringing down aggregate technical and commercial losses (AT&C losses) to about 15%, through implementation of various schemes & initiatives of Central Government by State utilities, I am hopeful that overall T&D losses in India would match the international standards in coming years.

During previous years in Northern India, there were frequent breakdowns/ tripping of

lines in foggy & cold weather conditions, because of pollution deposits on insulators. For the first time in India, your company engaged helicopters for hotline washing of the insulators besides replacing conventional insulators with polymer insulators having better performance under pollution, on selected lines. These efforts have contributed significantly in the smooth operation of the Northern Grid by averting/minimizing tripping during foggy weather conditions in previous winter season.

To enhance the availability of transmission lines, your Company has carried out Hot Line Maintenance and employed state-of-the-art "Emergency Restoration System" on strategic locations for restoration of collapsed transmission lines in minimum possible time.

COMMERCIAL PERFORMANCE

Company's performance on commercial front in terms of revenue realization has been highly satisfactory. Realization of about Rs. 5,877 Crore stood at about 100% of billed amount during the year 2008-09.

NATIONAL GRID

Friends, as discussed above, in order to achieve optimal utilization of natural resources a strong National Grid is essential. A well designed integrated transmission system and National Grid will help to utilise environment friendly energy generated from renewable hydel power resources

& energy efficient large power plants. This would encourage larger goals of environmental sustainability. POWERGRID has been persistent in its efforts to enhance inter-regional power transfer capacity of the National Grid and we have planned to enhance the inter-regional power transmission capacity of the National Grid to more than 37,000 MW by year 2012.

Dear Shareholders, last year we commissioned a state-of-art technology National Load Despatch Centre (NLDC), the apex body to ensure integrated operation of the national power system and Hon'ble Union Minister of Power, Shri Sushilkumar Shinde dedicated the National Load Despatch Centre (NLDC) to the Nation at New Delhi.

The NLDC is linked with the five RLDCs and also has a "back up" facility at ERLDC, Kolkata to take care of any eventualities.

GRID MANAGEMENT

It is my proud privilege to share with you the fact that like the last six and a half years; this year too, we have emulated our glorious past and have succeeded in keeping the country free from any kind of major Grid disturbance.

Friends, just as absence of a disease is no indication that one is healthy; similarly absence of any grid incident or grid disturbance is no indication that everything is fine. Due to my direct association with the dedicated team of persons who operate the grid, I know that tremendous amount of planning and hard work goes behind ensuring the safety of our country's grids.

OPEN ACCESS

During FY 2008-09, about 46 billion units of inter-regional energy transfers were facilitated across the country which is about 7% higher than the previous year's 43 billion units. The increased inter-regional power exchanges have helped in meeting more demand in energy deficit regions besides achieving overall economy.

Under open access, more than 11,780 transactions were approved during the year involving 30.5 billion units of energy. Thus, POWERGRID is facilitating flow of power across the country effectively utilising the available transmission capacities, thus bringing much needed open access to reality. Further, energy worth about Rs. 10,100 Crore was transacted through Un-scheduled Interchanges (UI), compared to Rs. 6,814 Crore last year, an increase of 48%. These are very good indicators to gauge the company's performance in managing the grids and utilising the available energy in an effective manner.

POSOCO – A FULLY OWNED SUBSIDIARY OF POWERGRID

Your Company also undertook activities for the establishment of M/s Power System Operation Corporation Limited (POSOCO), a 100% subsidiary of POWERGRID, in March, 2009 to look after Grid Management function in line with Gol directives.



TECHNOLOGY MANAGEMENT

Dear valued Shareholders POWERGRID lays emphasis on evolving and adopting new technologies continuously to effectively meet the challenges of power transmission in India. We believe that to build and maintain our position in bulk power transmission/large grid operations, we need to keep technical edge by developing and absorbing new technologies.

POWERGRID is constantly pushing technological frontiers and has taken steps to change the paradigm by establishing a 1200kV Ultra High Voltage AC Test Station at Bina (WR) and implementing ± 800 kV, 6000 MW, 2000 kms. HVDC Bi-pole line from North Eastern Region to Northern Region (Agra). This would ultimately pave the way towards India having an UHV electricity main transmission corridor.

The designing & testing of the 1200 kV Transmission Line Tower is at an advanced stage and is expected to be completed this year. To provide adequate testing facilities including Short Circuit Tests in India, POWERGRID has formed a Joint Venture with NTPC Limited, NHPC Limited and Damodar Valley Corporation for the creation of "On Line High Power Test Laboratory".

QUALITY – OUR CONSTANT ENDEAVOUR

As famous Quality Guru Philip Crosby puts it that "Quality is the result of a carefully constructed cultural environment, it has to be the fabric of the organization, not part of the fabric", we believe to maintain satisfied customers & suppliers and strive constantly to make improvements by imbibing quality in all processes.

Quality is never an accident; it is always the result of intelligent effort and in its pursuit, your Company is already certified with Integrated Management System (IMS) as per Publicly Available Specification, PAS 99:2006 integrating requirement of ISO 9001:2000 (Quality), ISO 14001:2004 (Environment) and OHSAS 18001:2007 (Occupational Health & Safety Management System). POWERGRID also stands audited for Social Accountability System, SA 8000:2001 for all its establishments.



This year, with the accreditation of ISO 9001:2000 for all Regional Load Dispatch Centres (RLDCs), the Quality Management System (QMS) certification for all establishments of POWERGRID is now complete.

SUSTAINABLE DEVELOPMENT

Transmission projects are environmentally clean and non-polluting in nature and do not generate solid waste. However, acquiring Right-of-Way for laying transmission lines has become quite challenging in view of its social impact.

We took proactive steps and developed "Environment & Social Policy and Procedures (ESPP)" in the year 1998 for conservation of forests, flora & fauna, resettlement & rehabilitation etc. based on wider consultations with stakeholders, NGOs etc.. This document has been developed based on the principles of avoidance, minimization and mitigation. This effort was applauded at various fora and by multilateral funding agencies such as The World Bank and Asian Development Bank. These policies get upgraded from time to time keeping in view evolving practices nationally and internationally. After implementation of ESPP since 1998, tremendous success has been achieved towards conservation of natural resources particularly forest. Total forest involvement in transmission projects has reduced from 6% to 1.35% and projects have been implemented without rehabilitation and resettlement disputes.

I am happy to share with you that The World Bank has selected POWERGRID's ESPP as the 1st candidate for Use of Country Systems (UCS) in India as POWERGRID's ESPP meets legal requirement of Indian law and other multilateral funding agencies.

BUSINESS DEVELOPMENT

Telecom Business

Your Company is providing a robust highway of telecommunication on its existing electricity transmission network and owns and operates more than 20,000 kms. of telecom network connecting all metros, major cities & towns. The Company is one of the few telecom players with a marked presence in remote areas and has acquired IP-II, ISP Category A & NLDO licenses to provide a variety of services.

POWERGRID's total bandwidth sold rose by 28% to 45.25 Gbps in 2008-09 versus 35.36 Gbps in the year 2007-08. Availability of the Telecom Network has been improved to 99.9% during 2008-09 from 99.87% in 2007-08. From telecom business, your Company has earned revenue of about Rs. 150 Crore during FY 2008-09, registering a growth of about 20% as compared to Rs. 125.5 Crore for FY 2007-08 .

You would be happy to know that your company has been selected as a consortium member for implementing the prestigious National Knowledge Network (NKN) project

at an estimated cost of about Rs. 2,000 Crore. This project envisages a gigantic three layer Telecom network of all knowledge centres across the country such as IITs, IISc, etc. on high speed connectivity.

Consultancy Business

POWERGRID with its strong in-house expertise in various facets of Transmission, Sub-transmission, Distribution and Telecom sectors is offering consultancy services to various power utilities and other companies at national & international level.

During the year 2008-09, the Company has realised revenue of about Rs. 216 Crore as consultancy fee from its various ongoing assignments. Furthermore, your company has secured major consultancy assignments which includes Turnkey Execution of Power Evacuation System for Talwandi Sabo and Rajpura Power Projects in Punjab for the Punjab State Electricity Board, Turnkey execution of 6 nos. 132/33 kV new sub-stations, 4 nos. 132 kV bays and associated transmission lines for Orissa Power Transmission Corporation Ltd. and Turnkey execution of 400 kV Pallatana-Silchar and Silchar-Bongaigaon transmission lines with ONGC-Tripura Power Company Private Limited.

Further, keeping in view our expertise in transmission, distribution and telecom sectors and the prospects available in international business arena, POWERGRID, has established a dedicated International Business Division to strategically exploit promising potential and opportunities abroad.

POWERGRID has emerged as a strong player in transmission sector in most of the SAARC (India, Nepal, Bhutan, Bangladesh, Sri Lanka, Maldives and Pakistan)/BIMSTEC (Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Co-operation) member countries.

Our most prestigious assignment, i.e. 200 kms., 220 kV Double Circuit Pul-e-Khumri to Kabul Transmission System in Afghanistan, has been completed in Jan, 2009 at a cost of about Rs. 420 Crore, within the schedule despite hostile

Pul-e-Khumri to Kabul Transmission System in Afghanistan



working conditions, including the setting up of the line passing over Hindu Kush region at a height of 4000 meters above sea level, which is covered with snow for nine months in a year. The H.E. President of the Islamic Republic of Afghanistan Mr. Hamid Karzai inaugurated the Pul-e-Khumri to Kabul Transmission line and Chimtala Sub-station.

POWERGRID has also secured consultancy assignments in Nepal, Bhutan, Nigeria and Dubai against stiff competition from international consultants. Besides, a pre-feasibility report has been prepared and submitted for a proposed under-sea interconnection with Sri Lanka. Further, POWERGRID has also been identified as the implementing agency for a 230kV transmission project in Myanmar to be funded by Govt. of India.

FACILITATING PRIVATE SECTOR PARTICIPATION

POWERGRID has been helping private companies and Independent Power Producers (IPPs) to set-up transmission systems through partnering in joint venture companies. Also, through the independent private transmission company route, POWERGRID has facilitated private investment in transmission sector.

The first Public-Private Partnership project with M/s Tata Power Limited for the Transmission system associated with Tala Hydro-electric Project (HEP) is under successful operation since 2006.

Further, in order to help IPPs to evacuate power from their generation

projects, your Company has already established four Joint Venture (JV) Companies namely, Torrent POWERGRID Limited, Jaypee POWERGRID Limited, Teesta Valley Power Transmission Company Limited and North-East Transmission Company Limited (NETCL). Furthermore, Parbati-Koldam Transmission Company Limited, a JV company was established with Reliance Energy Limited through an international competitive bidding process for the implementation of specific transmission lines associated with Parbati-II (800 MW) HEP and Koldam (800 MW) HEP.

Further, POWERGRID has also facilitated formation of an Independent Private Transmission Company (IPTC), 100% owned by private sector, for implementation of part of transmission lines under Western Region Strengthening Scheme-II through international tariff based competitive bidding process as per CERC directive.

The five JV companies and IPTC have achieved significant progress during the year and all of these companies have already obtained Transmission License from the CERC.

In addition to above, a JV Company, POWERGRID IL&FS Transmission Company Private Limited with IL&FS was also established on 50:50 basis to undertake project development of intra-State transmission and sub-transmission works for State power utilities.

CONTRIBUTION IN THE DISTRIBUTION SECTOR

Your Company has earned an excellent reputation for its

contributions in the distribution sector reform programmes of Government of India (Gol) and has extended support to our esteemed customers, the State Utilities.

Under the Accelerated Power Development and Reforms Programme (APDRP), POWERGRID is acting as Advisor-cum-Consultant (AcC) to lend its managerial and technical expertise for improvement of the distribution system in 177 distribution circles/ towns/ schemes spread over 18 States at an estimated cost of about Rs. 6,600 Crore. Most of these schemes have been commissioned. Further, POWERGRID is also implementing some of these schemes on deposit work basis under bilateral arrangement in the States of Bihar, Goa, Meghalaya, Uttar Pradesh, Tripura & Gujarat at a cost of about Rs. 1,100 Crore and most of these works are nearing completion.

Under the Rajiv Gandhi Grameen Vidyutikaran Yojana



Village electrified by POWERGRID under RGGVY

(RGGVY), POWERGRID had entered into a quadripartite agreement with Rural Electrification Corporation (REC), State Government and State Power utility, for undertaking rural electrification works in the country. POWERGRID has been assigned the job for execution of rural electrification works in 68 districts in the country covering around 74,000 villages at an estimated cost of about Rs. 6,400 Crore. As part of this, POWERGRID has already established infrastructure for electrification of about 30,000 villages till Mar'09 out of 31,566 villages sanctioned during X Plan. The balance are expected to be completed by March, 2010. For 43,670 villages, spread over 33 districts, sanctioned recently for XI Plan, implementation of projects in most of the districts has already commenced.

FUTURE OUTLOOK

I would like to quote from Sri Bhagavad Gita (2.47) where it is said that 'karmany va-adhikaraste ma phalesu kadachana', which means, 'Be active, never be inactive, and don't react to the outcome of the work'.

We are aware about our purpose and urgency to progress further in providing reliable and efficient inter-State electric power transmission infrastructure in the country.

Dear Shareholders, we are geared up to meet tough challenges as well as to exploit emerging opportunities. We have a dedicated and talented pool of manpower which is



full of great zeal and enthusiasm. It is our constant endeavor to provide avenues and scope for continuous learning & development to every employee. Besides this, we undertook programmes on Competence Mapping in association with leading HR consultants during the year so that the contribution of employees could be optimized and the level of job satisfaction could be enhanced. Empowerment of employees has been a strategic advantage to the Company to deliver extraordinary performance.

Enabled by proven project management systems & transparent procurement policy & procedures, we are confident to meet XI Plan target of Rs. 55,000 Crore. Out of this target, an investment of about Rs. 15,000 Crore has already been made during the initial 2 years period of the Plan, an achievement of about 27% of plan outlay. For the year 2009-10, an outlay of about Rs. 11,500 Crore has been kept by POWERGRID and balance about Rs. 28,500 Crore shall be utilised in the last 2 years period of XI Plan.

POWERGRID enjoys excellent credibility amongst investors and we have already tied-up about 70% of funds for our projects. The balance funds will be raised on year to year requirement basis.

We are constantly striving to create wealth for our stakeholders. Exploiting our core strengths, we expect to increase our Telecom and Consultancy businesses in the domestic as well as in international arena. Through strategic alliances and constant hard work, we expect to expand these businesses at rapid rate.

Dear esteemed Shareholders, we are committed to achieving the highest ethics and standards of corporate governance. We have a Board of Directors and various committees well represented by independent directors who are eminent Indian business and academic leaders with a wide range of experience and expertise.

In the end I would like to emphasize that a well designed, integrated transmission system will help in optimal utilization of natural resources and not only large quantum

of power shall be transmitted but environment and society shall also be protected by way of conservation of natural resources and supply of clean energy.

ACKNOWLEDGEMENTS

Your Company in fact takes pride in being able to capitalise an opportunity to lead by example in achieving outstanding standards in corporate citizenship. It is this pride and sense of responsibility that encourage our excellent human capital to strive harder, in the face of all adversities, to bring more glory to POWERGRID. Dear esteemed shareholders, on their behalf, I look forward to your continued support and encouragement.

I take this opportunity to convey my sincere thanks to the Government agencies, particularly the Ministry of Power, the Ministry of Finance, the Department of Public Enterprises, Planning Commission, Ministry of Environment & Forests, Ministry of External Affairs, Central Electricity Authority, Central Electricity Regulatory Commission, Statutory Auditors, Comptroller and Auditor General of India (C&AG) and Employee Unions for their confidence and support to our company. I would also like to show appreciation to our Directors especially our Independent Directors for their important inputs and laudable support.

I would also like to express gratitude to the State Power Utilities, Financial Institutions both domestic and international and all our esteemed shareholders for their trust in the Board of Directors and the Management of the Company for their confidence and support at all times. Their active interest has been a source of great encouragement and inspiration for us.

Thank you, Ladies and Gentlemen.

Place : New Delhi

Date : 9th Sept., 2009

(S.K. Chaturvedi)

Chairman & Managing Director



Directors' Report

One Nation- One Grid



DIRECTORS' REPORT

Dear Members,

On behalf of the Board of Directors, it is my privilege to present the 20th Annual Report on the performance of your Company during the financial year ended on March 31, 2009 along with audited Statement of Accounts, Auditors' Report, comments on the Accounts by the Comptroller and Auditor General of India for the reporting period.

Your Company is playing a key role in Indian Power Sector directly contributing to economic development of the country through the commendable job it has done in establishing huge and complex transmission network and as grid operator despite working in tough terrains, hostile weather conditions etc.. In the process, your Company has developed strong expertise in various facets of power transmission business including

development, operation & maintenance of large transmission networks and presently owns & operates around 71,500 ckt. kms. of transmission lines along with 120 Sub-stations and transformation capacity of about 79,500 MVA. In a short span of only 17 years of commercial operations, your Company has grown by leaps and bounds and has carved a niche for itself amongst the largest transmission utilities in the world.

With excellent progress made on all fronts during the year, your Company has once again exceeded the performance targets set forth under Memorandum of Understanding (MoU) with Ministry of Power (MoP), Government of India and is poised to achieve "Excellent" rating, under MoU 2008-09, continuing the track record of achieving "Excellent" rating since signing of its first MoU for 1993-94 with MoP.



Highlights of achievements of your Company during FY 2008-09 are briefly mentioned here to give an overview of success achieved in all fronts. The Company made an investment of Rs. 8,095 Crore during FY 2008-09 exceeding Budget Estimates (BE) target of Rs. 8,040 Crore set for the Company, an increase of about 22% of investment made last year (Rs. 6,656 Crore). The inter-regional power transfer capacity of National Grid was enhanced to about 20,800 MW from 17,000 MW in FY 2007-08. National Load Despatch Centre (NLDC), the apex body to ensure integrated operation of the national power system at national level has been commissioned in Feb., 2009. Our prestigious consultancy assignment of construction of Transmission line from Pul-e-Khumri to Kabul in Afghanistan has been completed in Jan., 2009, within the schedule despite hostile working conditions (passing over Hindu Kush region at a height of 4000 mtrs above sea level, which is covered with snow for 9 months in a year).

Your Company has received Three National Awards for meritorious performance in the field of

Transmission Sector for system availability and early completion of project for the year 2007-08. One gold and one silver medal was received by North-Eastern Region and Western Region-I Transmission Systems of POWERGRID for achieving high availability of transmission system respectively and another Silver medal was conferred to Southern Region-I for early completion of Gooty-Raichur 400kV D/C line. Her Excellency, the President of India Smt. Pratibha Devisingh Patil gave away the awards.

POWERGRID has also received IEEMA Power Awards 2009 for "Excellence in Power Transmission" & All India Organization of Employers Industrial Relations Award 2007-08. POWERGRID has also been chosen for the prestigious "Star" Public Sector Company Award for 2007-08 for its game-changing role in the industry by Business Standard, a leading financial daily of the country. Further, POWERGRID has been conferred the "The First DSIJ PSU Awards 2009" by Dalal Street Group of Publications for being "one of the largest transmission utilities in the world".





FINANCIAL RESULTS

	Rs. Crore	
	2008-09	2007-08
Turnover	7029	5082
Gross Margin	5927	4217
<i>Less:</i>		
Depreciation	1094	960
Prior period Adjustment	70	182
Deferred Revenue		
Expenses written off	2	5
PBIT	4761	3070
PBT	2229	1730
PAT	1691	1448

APPROPRIATIONS

Transfer to Bonds Redemption Reserve	491	400
Interim Dividend	210	210
Proposed final Dividend	295	295
Tax on Interim Dividend	36	36
Provision for Dividend Tax on proposed final dividend	50	50
Transfer to General Reserve	700	550
Transfer to Self Insurance Reserve	35	30

OPERATIONAL EXCELLENCE

By 31st March, 2009, POWERGRID owns & operates a transmission network of around 71,500 ckt. kms. of transmission lines along with 120 Sub-stations and transformation capacity of about 79,500 MVA, spread over the length and breadth of the country.

During the year, availability of our gigantic transmission network was maintained at 99.55%. POWERGRID's transmission network wheels about 45% of total power generated in the country.

Your Company has been able to display its capability in consistently maintaining the availability of this gigantic transmission network over 99%, which is comparable with the best international standards. To maintain high availability, POWERGRID employs state-of-the-art technology in operation & maintenance of its Assets. Equipment health is being assessed periodically using "Condition Assessment Techniques" with sophisticated tools. All shut down and non shut down maintenance activities are planned in advance and an "Annual Maintenance Plan" is worked out for each and every asset. We have well defined levels for approval of test results depending on their importance and criticality.

POWERGRID has also introduced 'On line monitoring' of equipment in addition to off line techniques. Hot Line Maintenance is being carried out up to 400kV transmission lines. POWERGRID also employ state-of-the-art "Emergency Restoration System" for restoration of collapsed transmission lines in minimum possible time.

For the first time in India, for further enhancing the availability of transmission lines, your Company has introduced helicopter for hotline washing of Insulators in 12 critical

transmission lines in polluted stretches in Northern Region. Insulator cleaning at about 1800 towers was completed from 1st November 2008 to 20th March, 2009. Replacement of conventional insulators with polymer insulators on around 1700 towers in critically polluted stretches of 14 transmission lines in Northern Region was also undertaken. These efforts have contributed significantly in smooth operation of Northern Grid during foggy weather conditions. Further, Renovation & Modernisation (R&M) initiatives have been taken up to replace ageing transmission assets as per prevalent CERC tariff regulations.

Operation and Maintenance (O&M) methodology has been standardized throughout POWERGRID. Standard documents in this regard have already been developed. Documents of maintenance schedule, procedures and formats have been standardized for all assets. All substations and line offices can access these documents through the Portal apart from hard copies provided to them.

POWERGRID's O&M activities are ISO certified and systems and procedures are revised periodically to keep abreast with the latest technology. Periodical reviews are conducted at Substations and Line offices to evaluate implementation of the systems and procedures.

Presently, about 16 sub-stations of POWERGRID are remotely operated from other sub-stations and more such initiatives are in the pipe line. This leads to optimum deployment of manpower & establishments in Sub-stations leading to reduced maintenance expenditure.

Residual Life Assessment (RLA) initiative has been taken for the first time which will provide the actual condition of substation equipment for taking necessary preventive maintenance/ refurbishment, thus avoiding pre-mature failures. Moving ahead, detailed RLA studies for Hyderabad substation, one of the oldest sub-station of POWERGRID, is being carried out in association with CESI, Italy and CPRI, Bangalore.

Considering the present business needs and the fast pace of growth your Company has been experiencing in the last 5 years and which is only expected to grow exponentially, POWERGRID is taking steps to integrate parts of its various systems, like financial and physical monitoring and control, internally through the use of Enterprise Resource Planning (ERP). In this direction, POWERGRID is contemplating to have state-of-the-art "Enterprise Asset Management System" to track its increasing asset base for monitoring their health. This is expected to help in creation of centralized asset base, helping to analyse pattern of failures, optimization of inventory and paperless maintenance activities.

QUALITY MANAGEMENT

Electric power is one of the most important infrastructure sector of the national economy and is essential for economic development, human welfare and higher standard of living. Your Company, in all its endeavours, is committed to provide cost effective & quality services to its valued customers





thereby deriving high customer satisfaction. To achieve this, quality improvement measures/ techniques are being adopted at every stage from conceptualisation of project till commissioning and subsequently during operation phase to identify the areas of improvement and develop action plans for continuous quality improvement in all of its activities.

Your Company is already certified with **Integrated Management System (IMS)** as per **Publicly Available Specification, PAS 99:2006** integrating requirement of **ISO 9001:2000 (Quality)**, **ISO 14001:2004 (Environment)** and **OHSAS 18001:2007 (Occupational Health & Safety Management System)**. POWERGRID also stands audited for **Social Accountability System, SA 8000:2001** for all its establishments. This year, with accreditation of **ISO 9001:2000** for all **Regional Load Dispatch Centres (RLDCs)**, the **Quality Management System (QMS)** certification for all establishments of POWERGRID is now complete.

GRID MANAGEMENT AND OPEN ACCESS

Optimum utilization of generation resources requires development of a strong transmission network and its implementation has been taken up by your Company in a phased manner. Planned rapid expansion of regional grids and their integration to form National Grid poses great challenges in Grid Operation & Management. Central Sector Generating Stations have not faced any generation evacuation problem on account of transmission constraints during the year, as a strong and robust transmission network set up by

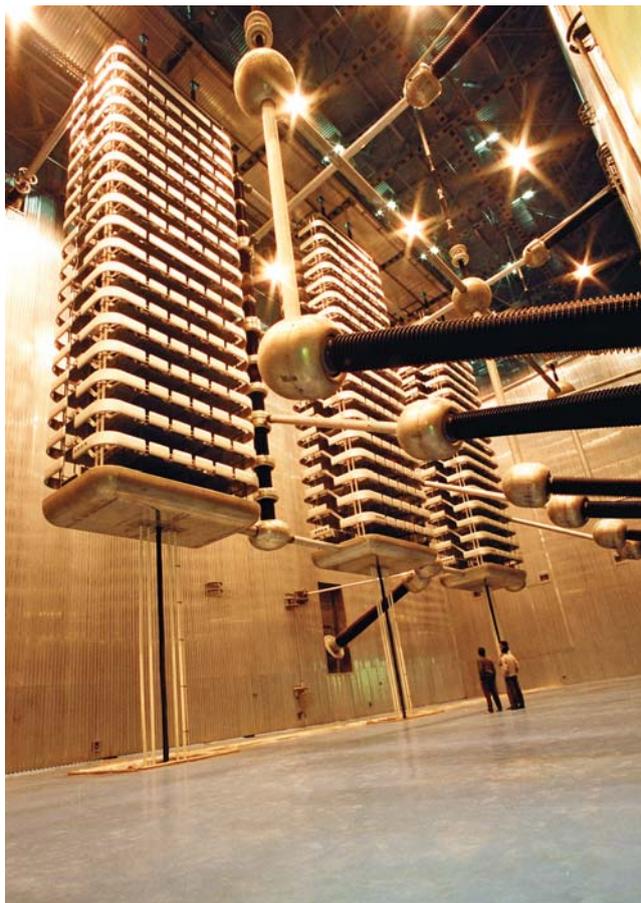
your Company is there to take care of evacuation related issues.

Further, the state-of-the-art **Unified Load Despatch & Communication (ULDC)** schemes are in place to bring quality and economy in operation of power system besides improving data availability, visibility and transparency. Modernization of **Regional Load Despatch Centres** along with **State/ sub-State Load Despatch Centres** and dedicated communication schemes in all the regions viz. Northern, Southern, North-Eastern, Eastern and Western Regions have been successfully completed. Efforts made by POWERGRID in modernizing the **RLDCs**, implementation of **ABT**, power transfer through inter-regional links, effective **Operation & Maintenance** practices using cutting edge technologies and round the clock vigil of the grid have led to overall improvement in power supply situation in all parts of the country. For overall co-ordination at national level, **National Load Despatch Centre (NLDC)** has been commissioned in Feb.'09. NLDC is the apex body to ensure integrated operation of the national power system. Through four tier hierarchical system, these **RLDCs** have become epitome of technological excellence in grid operation. These are world's one of the largest and most complex projects involving the state-of-the-art technology that has resulted in real time monitoring and control of the grid enhancing safety, security, reliability and stability in all regions of the country. As a result of all these initiatives, we have successfully managed to arrest occurrence of any major grid disturbance in the country during last more than six and half years. Minor grid disturbances in regional grids also came down significantly.

POWERGRID, in its efforts to ensure delivery of quality power and to maintain grid discipline, facilitated implementation of "Availability Based Tariff (ABT)" in all the five regions. This has stabilized the frequency to the prescribed band as per IEGC, i.e. 49.0 Hz to 50.5 Hz for large percentage of time in all the five regions. ABT has also encouraged inter-State and inter-regional bilateral trading resulting in meeting higher demand from the existing sources. Merit order operation of generating units is gaining importance and many States are utilizing this facility to utilize the system commercially.

On behalf of various State Power utilities and other players in the regional pool, POWERGRID, through its **RLDCs**, facilitated settlement of **UI charges** to the tune of around **Rs. 14,000 Crore** in **FY 2008-09** (as against **Rs. 10, 685 Crore** in **FY 2007-08**) as regional pool settlement.

With the development of various inter-regional transmission links, our strong transmission network and modernised **Regional Load Despatch Centers (RLDCs)** have also facilitated manifold growth in inter-regional power exchanges across the country on real-time basis. During **FY 2008-09**, about **46,000 MUs** of inter-regional energy transfer was facilitated across the country. The increased inter-regional power exchanges have helped in meeting more demand in energy





National Award for Meritorious Performance presented by the Hon'ble President of India

deficit regions besides achieving overall economy. Under open access, more than 11,780 transactions were approved during the year involving 30,500 MUs of energy. Thus, POWERGRID is facilitating flow of power across the country effectively utilising the available transmission capacities, thus bringing much needed open access to reality.

Your Company also incorporated Power System Operation Corporation Limited, a 100% subsidiary of POWERGRID, in March, 2009 to look after Grid Management function in line with GoI directive. Pending determination and transfer of assets, Grid management function continued to be operated by your Company.

PROJECT IMPLEMENTATION

During the year, your Company continued to implement its projects with economy and within stipulated time frame to derive maximum economic benefits. POWERGRID's advanced and cost effective Integrated Project Management and Control System (IPMCS) for total project review and monitoring has been contributing significantly. Project implementation activities involves total project review and monitoring including Standardisation of Designs, Project Review Meetings (PRMs) at regular intervals through video conferencing, pre-emptive measures and advance actions on various project linked activities such as land acquisition, survey and soil investigations, tender activities, funding tie-up, etc. in parallel with project investment approval process.

On project implementation front, your Company displayed excellent performance during FY 2008-09 and commissioned

about 4,642 ckm of transmission lines, 09 nos of new sub-stations and added transformation capacity of about 6,400 MVA. Transmission projects worth about Rs. 3,734 Crore were commissioned during the year. These additions to the Company's network have helped in improving power supply situation in various regional grids, facilitating enhanced inter-regional power transfer capacity and reliability of the system. Major projects commissioned during FY 2008-09 include Transmission System associated with Kahalgaon-II (Phase-II), Sipat-I Transmission System, System Strengthening in South-West part of Northern Grid, RAPP 5&6 Transmission System, Western Region System Strengthening Scheme-I and Western Region System Strengthening Scheme-III, etc.

During the year 2008-09, 26 new projects with an estimated cost of more than Rs. 40,000 Crore involving about 21,178 ckm of transmission lines and 19 no. sub-stations with transformation capacity of about 52565 MVA and HVDC terminals of 6000 MW were approved by Board of Directors of POWERGRID and taken up for implementation. Major projects include Transmission System associated with DVC and Maithon RB generation projects, Transmission System associated with Sasan & Mundra Ultra Mega Power Projects, North East-Northern/ Western Region Interconnector-I, etc.. Your Company is making all out efforts for meeting the targets for completing the transmission elements identified to facilitate transfer of more power to Delhi on priority as a part of preparedness for Commonwealth Games 2010. Further, during the year implementation activities have also commenced on the prestigious ± 800 kV, 6000



MW HVDC Bi-pole line from North Eastern Region to Northern Region (Agra).

At the end of March, 2009, transmission projects at a cost of about Rs. 62,000 Crore involving about 38,000 ckm of transmission lines, 44 new sub-stations and transformation capacity of about 67,000 MVA are under various stages of implementation.

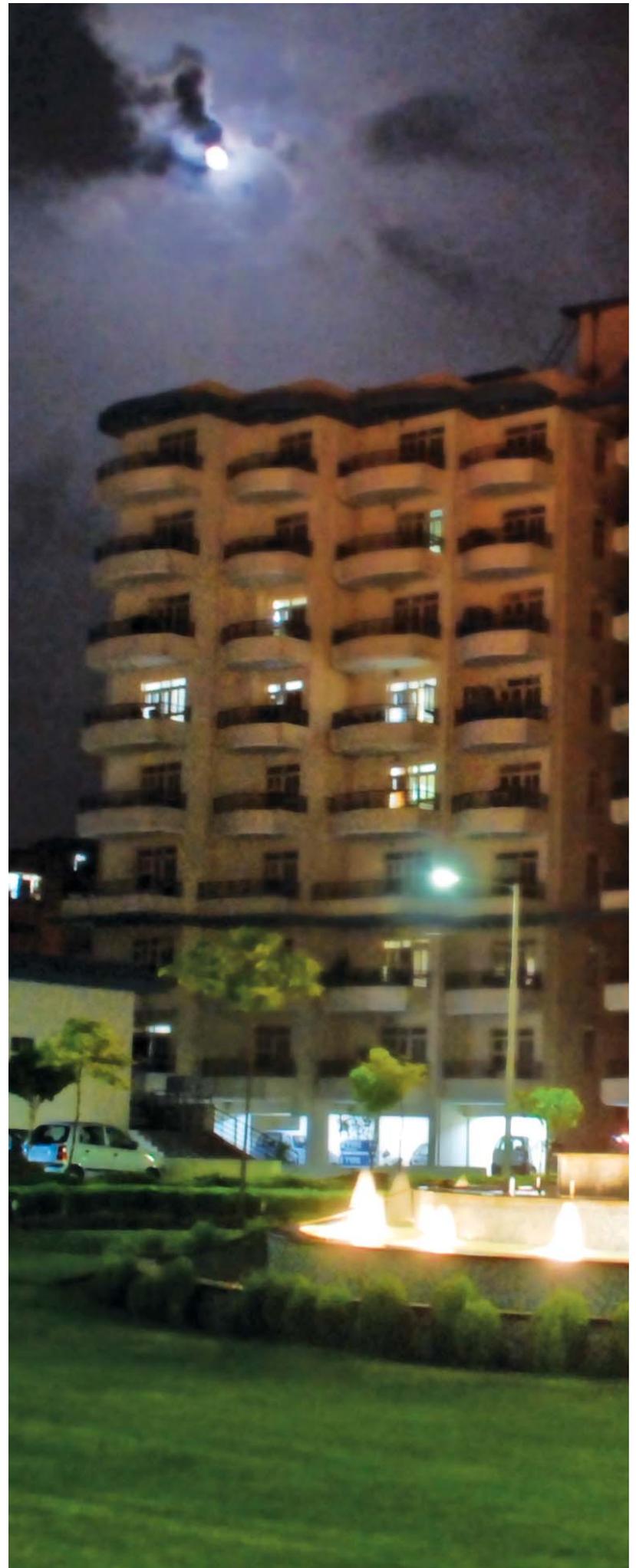
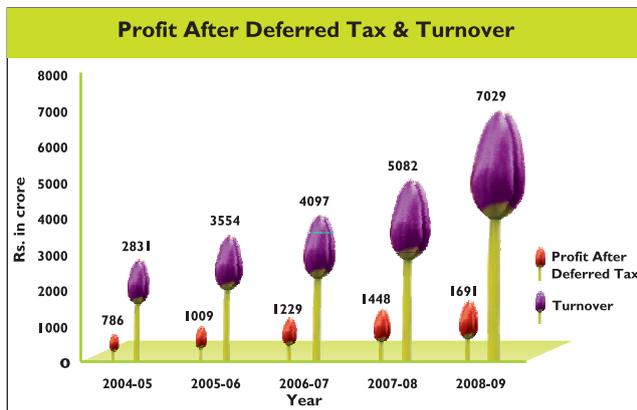
Major ongoing projects include:

- ∇ **Generation Linked:** Transmission System associated with Kudankulam Atomic Power Project, Kaiga-3&4, Barh, Uri-II, NLC-II Expansion Project, Farakka-III, Parbati-III HEP, Chamera-III, Koldam HEP, Koteswar HEP, Sewa-II HEP, Mundra UMPP, Sasan UMPP, etc;
- ∇ **Grid Strengthening Schemes:** East-West & North-West Transmission Corridor Strengthening Schemes alongwith many System Strengthening Schemes in Northern, Western, Southern and Eastern Region.

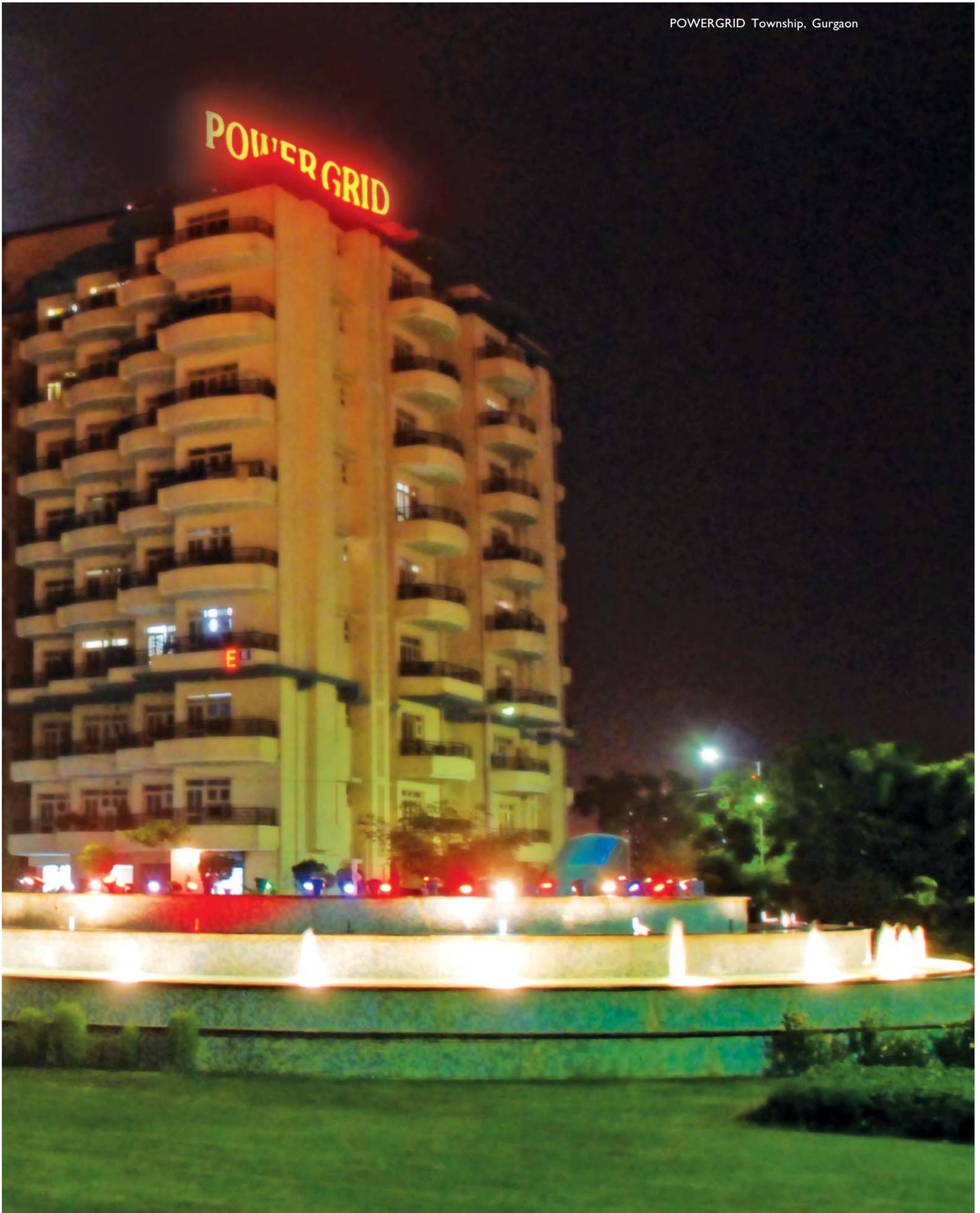
In addition, 14 new projects with an estimated cost of more than Rs. 18,000 Crore, involving about 6,850 ckm of 765/400/220/132 kV transmission lines and 13 new sub-stations with transformation capacity of 38,150 MVA and HVDC terminals of 4,000 MW capacity have been conceptualized and are presently under process of investment approval. Your Company has also been entrusted by Govt. of India to develop associated transmission systems for evacuation of power from four Ultra Mega Power Projects (UMPPs) viz. Mundra, Sasan, Krishnapatnam and Tillaiyya UMPP. Since these are the projects of national importance, necessary advance actions have been taken for implementation of these projects matching with the generation projects. Accordingly, associated transmission systems for Mundra and Sasan UMPPs were approved and implementation has commenced while transmission system for Krishnapatnam UMPP is under investment approval & that for Tillaiyya UMPP is under finalisation.

FINANCIAL MANAGEMENT

The year 2008-09 has been another year of impressive financial performance for your Company. The company has achieved a Turnover of Rs. 7,029 Crore and Net Profit of Rs. 1,691 Crore as compared to Rs. 5,082 Crore and



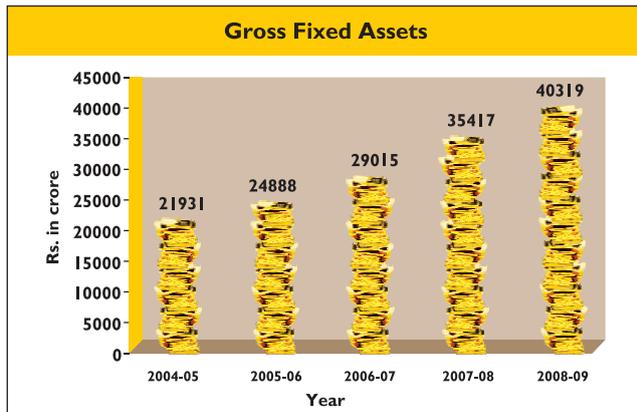
POWERGRID Township, Gurgaon





Rs. 1,448 Crore respectively during FY 2007-08, an increase of 38% and 17% respectively. With the addition of huge transmission network, **Gross Asset Base** of the Company has been enhanced to Rs. 40,319 Crore in 2008-09 from Rs. 35,417 Crore in 2007-08. POWERGRID is taking all possible steps to further improve its financial performance by taking up other kind of synergetic business such as consultancy assignments at National and International level in transmission, distribution, telecom etc. to remain a financially progressive organisation in emerging market conditions and to enhance value for our shareholders.

Capital Investment and Fund Mobilisation

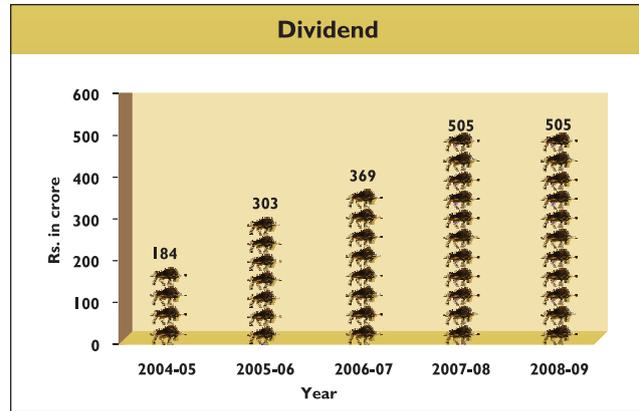


During FY 2008-09, your Company made an investment of **Rs. 8,095 Crore** for implementation of various projects exceeding Budget Estimate target of **Rs. 8,040 Crore** set for the Company. The requisite funds were mobilised from domestic market and proceeds of ongoing loans from multilateral funding agencies, namely, The World Bank (WB) and Asian Development Bank (ADB) were utilised for the above investment, besides internal resources of POWERGRID.

Your Company is placed in a comfortable position in terms of resource mobilisation, as it enjoys an excellent credit rating with financial institutions. In this direction, loan agreement for USD 400 Million from The World Bank has been signed in Jan'09 and loan became effective from 30th March'09. Further, loan agreement for USD 200 Million from ADB has been signed in March'09. In addition, The World Bank has also agreed for another loan of USD 1 Billion to POWERGRID, for which preparatory and appraisal missions were deputed by the Bank in Feb.'09 and May'09 respectively. Loan negotiation is expected to take place in 2nd quarter of FY 2009-10. Thus till date, around 70% of total loan requirement for XI Plan has already been tied-up or identified and balance shall be raised on year to year basis as per requirement. Besides, a proposal for loan assistance of USD 1 Billion from ADB has been submitted to Ministry of Finance in Feb.'09. ADB has agreed to consider this assistance under ADB lending programme for 2010-11.

Dividend Payout

For FY 2008-09, your company has proposed a final dividend of Rs. 0.70 per share, which shall be paid after your approval



at the Annual General Meeting. This is in addition to Rs. 0.50 per share of interim dividend paid in February, 2009. Thus total dividend pay out for the year amounts to Rs. 505.08 Crore (including an interim dividend of Rs. 210.46 Crore), same as dividend paid during the previous year. It may be noticed that total dividend pay out including dividend tax, accounts for 35% of Profit after Tax of the Company.

Directors' Responsibility Statement

As required u/s 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

- 1 In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- 1 The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- 1 The Directors have 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.
- 1 The Directors have prepared the annual accounts on a going concern basis.

XI Plan Investment programme

Towards achieving the targeted investment programme of **Rs. 55,000 Crore** for XI Plan for providing matching transmission system for generation capacity addition in Central sector and other generation projects for which transmission system is required to be built by POWERGRID, significant progress has been made during FY 2008-09. Out of this, investment of about **Rs. 15,000 Crore** has already been made during the initial 2 years period of the Plan, an achievement of about 27% of plan outlay. For the year 2009-10, an outlay of about **Rs. 11,500 Crore** has been kept for POWERGRID and balance about **Rs. 28,500 Crore** shall be utilised in the last 2 years period of XI Plan.

COMMERCIAL PERFORMANCE

On commercial front, in terms of realisation of transmission charges, your Company's performance has been highly

satisfactory. Current realisation of about Rs. 5,877 Crore stood at about 100% of billed amount during the year 2008-09. POWERGRID is continuously realising 100% of its current payable dues for the last five years. Post-securitisation, outstanding dues (beyond 90 days of billing) stands at Rs. 3.92 crore as on March 31, 2009. The present LC coverage of about Rs. 372 Crore is equivalent to more than 100% of average monthly billing.

DEVELOPMENT OF NATIONAL GRID

Company is playing an important role for development of National Grid, for meeting power demand in various parts of the country and for optimum utilisation of generation resources, implementation of which has been taken up in a phased manner matching with generation capacity addition in the country. Towards this, a perspective transmission plan has been evolved for strengthening the regional grids and enhancing the inter-regional power transfer capacity of National Grid. In line with this plan, various inter-regional transmission schemes have been implemented/ are under implementation/ planned in the country to enhance the inter-regional power transfer capacity of National Grid to more than 37,000 MW by the year 2012.

During the year 2008-09, POWERGRID has commissioned Ranchi–Sipat 400 kV D/C transmission line, Agra–Gwalior 2nd S/C 765 kV line (initially charged at 400 kV), Zerda–Kankroli 400 kV D/C line and utilized inherent capability of Biharshariff–Sasaram–Allahabad link. Commissioning of these links have not only provided additional power transfer capacity between Eastern, Northern and Western Regions but also improved reliability and security of the grid. With this, total inter-regional power transfer capacity of National Grid has been enhanced to 20,800 MW from 17,000 MW at the end of FY 2007-08 and substantial amount of power is being exchanged across the country utilizing inter-regional links established by POWERGRID. In fact establishment of National Grid by POWERGRID is also facilitating transfer of short term surplus power from any where to any where in the country from generation under State and Private sector as well.

TECHNOLOGY UP-GRADATION, RESEARCH & DEVELOPMENT

The Company has undertaken several technological innovations aimed at conserving Right-of-Way (RoW), minimizing impact on natural resources & human habitat and cost effectiveness in evacuation of power from the future generation projects. The Company has developed and adopted State-of-the-art technology in Transmission System Development as well as for Grid Operation & Management and has also successfully implementing its program for standardization of transmission tower, which has helped in cutting down the construction time of projects.

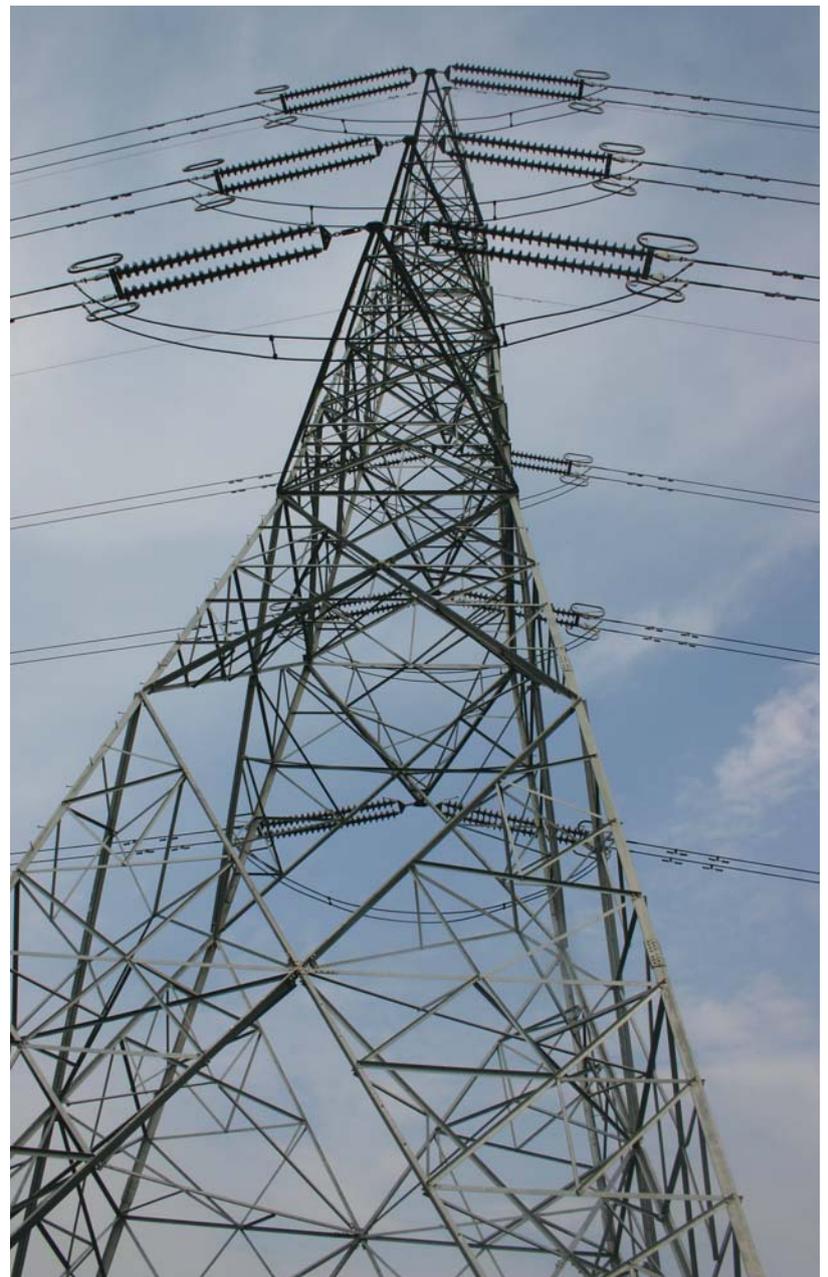
POWERGRID has upgraded and uprated its existing transmission lines on case to case basis to optimally utilise the Right of Way. 400 kV EHV AC lines with triple/ quad conductor and/ or application of series compensation have

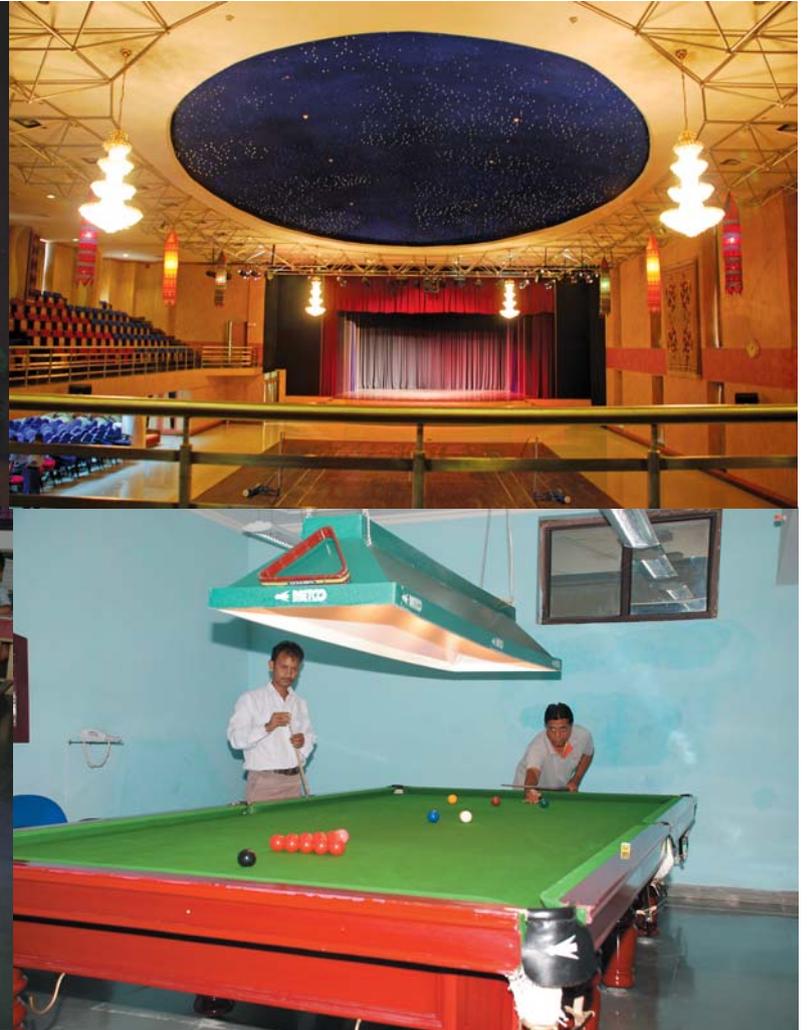
been implemented to handle bulk transfer of power over short distances. POWERGRID has taken initiative for development of major transmission highways using higher transmission voltage levels, i.e. 765 kV EHV AC and ± 500 kV HVDC as a viable alternatives to achieve efficient utilisation of RoW and increased power transfer capability for transfer of bulk power over long distances.

Besides, a Joint Venture amongst POWERGRID, NTPC Limited, NHPC Limited and Damodar Valley Corporation has been formed during the year for creation of “On Line High Power Test laboratory” for providing short circuit test facility in India, in a phased manner.

1200 kV UHVAC Transmission System

765kV Extra High Voltage level has already been introduced in the country in Oct'2007. In order to further meet the long-term power transfer requirement and to take care of environmental considerations, development of an overlaying Super Grid comprising 1200kV UHVAC system is being envisaged. At present, there are no standardized parameters available for 1200kV AC system and equipment at this voltage level are also not available commercially worldwide. POWERGRID has taken





leadership initiative to carry out R&D in this area to develop the 1200kV system indigenously. A 1200kV UHVAC Test Station along with a 1200kV test line is being established at Bina substation in Madhya Pradesh (Western Region) of POWERGRID, as a collaborative effort with equipment manufacturers, for indigenous development of 1200kV equipment in India.

±800 kV HVDC Bi-pole Line

The Company is also implementing ±800kV, 6000 MW HVDC Bi-pole Line from North Eastern Region to Northern Region (Agra). This shall be the first of its kind (±800kV HVDC line) having the largest power carrying capacity and transmitting power over distance more than 2000 Kms.

International Exhibition cum Conference

For providing a platform for demonstrating and discussing the emerging technologies in power transmission and distribution sector and also in synergic areas of load dispatch, telecommunications, application software etc., **GRIDTECH 2009** was successfully organized on 29th & 30th January, 2009 at Pragati Maidan, New Delhi, which gave opportunity to bring manufacturers, vendors and experts in the field of Transmission & distribution and related synergic areas to display the emerging technologies and share their experience/ expertise.

INITIATIVE FOR STRATEGIC ALLIANCES

POWERGRID did its bit and has been successful in facilitating private investment in transmission sector. The first Public-Private Partnership project with M/s Tata Power Limited for the Transmission system associated with Tala HEP is under successful operation.

Based on the success achieved, your Company had already established four Joint Venture Companies (JVCs) namely, Parbati-Koldam Transmission Company Limited (PKTCL), Torrent POWERGRID Limited, Jaypee POWERGRID Limited and POWERGRID IL&FS Transmission Company Private Limited till previous financial year. It may be noted that PKTCL was established as a JV company with Reliance Energy Limited through international competitive bidding process for implementation of specific transmission lines associated with Parbati-II (800 MW) HEP and Koldam (800 MW) HEP. POWERGRID IL&FS Transmission Company Private Limited, a JV with IL&FS was established on 50:50 basis to undertake project development of intra-State transmission and sub-transmission works for State power utilities. The other two JVCs were established as a result of converting the MoUs signed with IPPs for development of their dedicated transmission systems into JVs. POWERGRID's stake in these JVCs would be 26%. Continuing this process further, your Company established two more JV companies during the



year, namely, Teesta Valley Power Transmission Company Limited and North-East Transmission Company Limited (NETCL). NETCL, a JV with ONGC Tripura Power Company Private Ltd. (OTPCL) & Tripura Govt., was established for implementation of transmission system associated with Gas based power project at Pallatana in Tripura (726.6 MW) being developing by OTPCL.

PERFORMANCE IN TELECOM

At the end of FY 2008-09, your Company owns and operates more than 20,000 Kms of telecom network connecting all metros, major cities & towns. Your Company's telecom network provides a robust highway of telecommunication at affordable cost with ultra modern and eco-friendly implementation techniques. The Company is one of the few telecom players with a marked presence in remote areas and has acquired IP-II, ISP Category A & NLDO licenses to provide a variety of services. Besides prime telecom companies, prestigious Government organizations such as ERNET, STPI, NIC and various Government Ministries are our customers. Company is also planning to attract customers from entertainment and broadcasting industry.

POWERGRID's total Capacity Sold rose by 28% to 45.25 Gbps in 2008-09 versus 35.36 Gbps in the year 2007-08. Availability of the Telecom Network has been improved to 99.9% during 2008-09 from 99.87% in 2007-08.

In telecom business, the Company has earned revenue of about Rs.150 Crore during FY 2008-09, growth of about 20% as compared to Rs. 125.5 Crore for FY 2007-08. Income from telecom business is expected to grow substantially in the coming years.

Her Excellency, the President of India, Smt. Pratibha Devisingh Patil inaugurated initial phase of the prestigious National Knowledge Network (NKN) project on April 9, 2009, wherein POWERGRID has been selected as a consortium member for implementing this telecom infrastructure project of national importance, which envisages a gigantic 3 layer Telecom network of all knowledge centres across the country such as IITs, IISc, etc. on high speed connectivity at an estimated project cost of about Rs. 2,000 Crore.

BUSINESS DEVELOPMENT & CONSULTANCY

POWERGRID with its strong in-house expertise in various facets of Transmission, Sub-transmission, Distribution and Telecom sectors is already offering consultancy services at national & international level. During the year 2008-09, business development opportunities continued to receive focussed attention and thrust across the entire value chain of the power sector. Your Company has realised revenue of about Rs. 216 Crore during FY 2008-09 as a consultancy fee from its various ongoing assignments. The year 2008-09 witnessed some major achievements.



On domestic front, major consultancy assignments secured during FY 2008-09 includes:

- ✓ Turnkey execution of Power evacuation system for Talwandi Sabo and Rajpura Power Project in Punjab for Punjab State Electricity Project.
- ✓ An agreement has been signed for Turnkey execution of Six Nos. 132/33 kV new sub-station, 4 Nos. 132 kV bays and associated transmission lines for Orissa Power Transmission Corporation Ltd. (OPTCL).
- ✓ An agreement has been signed for Turnkey execution of Pallatana–Silchar 400 kV D/C and Silchar–Bongaigaon transmission lines with ONGC-Tripura Power Company Private Limited.

In the international arena, POWERGRID has emerged as a strong player in transmission sector in South Asia. Our most prestigious assignment, i.e. execution of transmission project in Afghanistan, costing about Rs. 420 Crore to lay a 200 Km long 220 kV transmission line passing over Hindu Kush region at a height of 4000 mtrs above sea level, which is covered with snow for 9 months in a year, has been completed in January 2009, within the schedule. POWERGRID has also secured consultancy assignments in



Nepal, Bhutan, Nigeria and Dubai against stiff competition from international consultants. Besides, for a proposed under-sea interconnection with Sri Lanka, a pre-feasibility report has been prepared and submitted.

POWERGRID has also been identified as the implementing agency for 230kV transmission project in Myanmar to be funded by Govt. of India by providing soft loan. The project involves the construction of approx. 300 miles of 230kV transmission network, 50 miles of 66kV transmission line besides construction of 3 nos. new 230/66/11kV new substations, one no. 230kV substation extension and one no. 66/11kV new substation.

Further, keeping in view our expertise in transmission, distribution and telecom sectors and the prospects available in international business arena, POWERGRID, has established a dedicated International Business Division to strategically exploit promising potential & opportunities abroad.

POWERGRID has been keenly participating in tenders floated by ADB, The World Bank, and other foreign organizations and submitting Expression of Interest and Prequalification documents to clients in various countries like Vietnam, China, Kenya, Ethiopia, Uzbekistan, Afghanistan & Bangladesh for participating in international competitive biddings.

CONTRIBUTION IN DISTRIBUTION REFORMS

Your Company 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.

Under APDRP, POWERGRID is acting as Advisor-cum-Consultant (AcC) to lend its managerial and technical expertise for improvement of distribution system in 177 distribution circles/ towns/ schemes spread over 18 States at an estimated cost of about Rs. 6,600 Crore. Most of these schemes have been commissioned. Further, POWERGRID is also implementing some of these schemes on deposit work basis under bilateral arrangement in the States of Bihar, Goa, Meghalaya, Uttar Pradesh, Tripura and Gujarat at a cost of about Rs. 1,100 Crore, most of these are nearing completion.

Under RGGVY, POWERGRID had entered into a quadripartite agreement with Rural Electrification Corporation (REC), State Government and State Power utility, for undertaking rural electrification works in the country. POWERGRID has been assigned the job for execution of rural electrification works in 68 districts in the country covering around 74,000 villages at an estimated cost of about Rs. 6,400 Crore. As part of this, POWERGRID has already established infrastructure for electrification of about 30,000 villages till Mar'09 out of 31,566 villages sanctioned during X Plan. Balance are expected to be completed by March, 2010. For 43,670 villages, spread over 33 districts, sanctioned recently for XI Plan, implementation of projects in most of the districts has already commenced.

E-GOVERNANCE

POWERGRID is committed to fulfilment of the expectations of stakeholders through continual enhancement of Effectiveness, Efficiency and Transparency in its functions. In order to meet the above objective POWERGRID leverages the potential of Information technology as an enabler in its pursuit to achieve operational excellence.

Major IT endeavours during the year include the following:

- ✓ POWERGRID has revamped its website to provide more online information to its entire stakeholders in a user friendly, interactive and effective manner. Modules like sub-vendor information, bill tracking system, monthly contract information etc. have been integrated with the website to achieve the objective of bringing transparency.
- ✓ POWERGRID has taken decision for implementation of ERP on fast track basis to migrate its critical processes to integrated information system (IS) platform.

- ✓ After success of Facility Management service at Corporate office through single vendor, your Company is in the process of deploying Integrated Facility Management service for the entire organisation.
- ✓ Company has identified the technology partner for accomplishing e-procurement in phased manner.

ENVIRONMENTAL AND SOCIAL SAFEGUARDS MANAGEMENT

Transmission projects are environmentally clean and non-polluting in nature and don't generate solid waste. The developmental activities carry certain environmental and social impacts, mostly minor in nature. Your Company, with a goal of achieving sustainable development of the power sector in the country has taken proactive measures for improvements in the areas of Environment Management.

In order to address such issues, POWERGRID had developed Environmental and Social Policy and Procedures (ESPP) in 1998 and subsequently upgraded the same in 2005, in line with trends and international best practices, to preempt all possible environmental issues. The ESPP outlines POWERGRID's approach and commitment to deal with environmental and social issues, relating to its transmission projects and lays its management procedures and protocol to mitigate the same. ESPP is dedicated to the commitment of POWERGRID to paradigm of sustainable development and appropriate supporting processes. The World Bank has selected POWERGRID's ESPP as the 1st candidate for Use of Country Systems (UCS) in India as POWERGRID's ESPP meets legal requirement of Indian law and other multilateral funding agencies. Process of review & analysis of POWERGRID's ESPP and The World Bank safeguard policies is in progress.

ESPP implementation in last 11 years has drawn many appreciations/awards from various stakeholders. The World Bank has awarded "Green Award 2006" on the commendable work done in the field of sustainability and has also recognized POWERGRID's "Corporate Leadership in sustainability" in its report "Strengthening Institutions for Sustainable Growth – Country Environment Analysis for India": August, 2007.

Towards conservation of natural resources particularly forest, POWERGRID has achieved tremendous success after implementation of ESPP. The forest involvement, which was about 6% in about 27,000 ckt. kms. of transmission network constructed till 1998, has come down to 1.35% in about 40,000 ckt. kms. constructed during last 11 years, after implementation of ESPP.

CORPORATE SOCIAL RESPONSIBILITY

POWERGRID has been undertaking various projects/schemes as a part of its Corporate Social Responsibility in different locations across India either on its own or through external agencies on a continuous basis primarily to ensure Socio-Economic development of weaker sections of Society and for overall conservation of Environment and improvement of Ecological imbalance.

POWERGRID's commitment towards social responsibility is also amply reflected in its already adopted Integrated Management Policy, ESPP, Rehabilitation Action Plan (RAP), Corporate objectives, OSHAS 18001- 2007 and Social

Accounting SA 18000-2001, Corporate Social Responsibility is primarily to showcase POWERGRID's abiding commitment and concern to pay back to the society and environment for the benefits it has reaped so far.

Further, POWERGRID has formulated its 'Corporate Social Responsibility Policy' which addresses the issue of Community Development in the neighbourhood areas around its offices/sub-stations where the Resettlement and Rehabilitation (R&R) activities under ESPP have been completed and closed. It also addresses the Socio-Economic issues at National level like employment, conservation and environment etc.

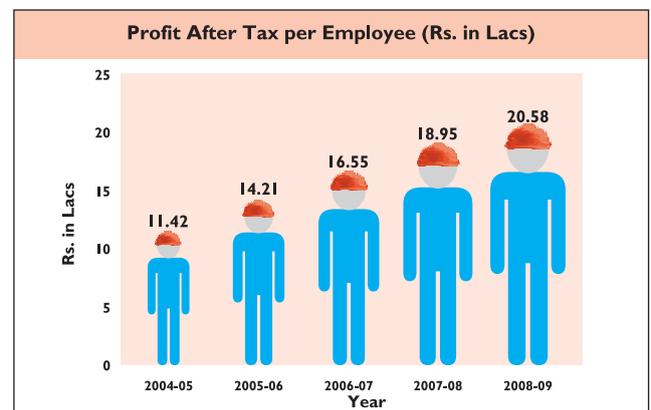
EMPLOYEE, OUR ASSETS FOR SUCCESS

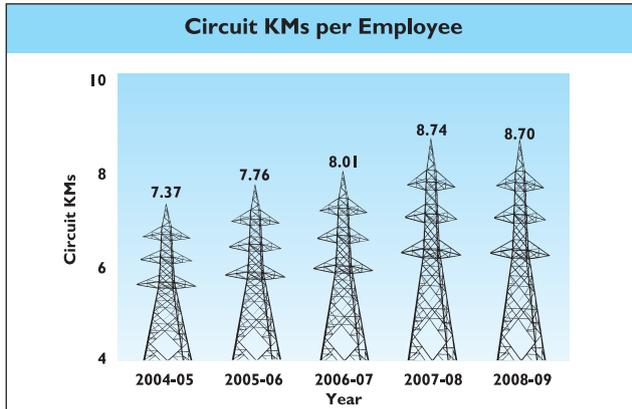
Human Resource Development

Your Company's Human Resources function took a number



Getting prepared for Emergency Restoration





Celebration of festival of colours

of initiatives during the year in response to intensifying competition for trained manpower. During the year, to nurture and develop the existing manpower, a series of long-duration training & development interventions – both functional and developmental – were carried out with focus on building leadership capabilities, strategic orientation and skills to suit new businesses.

HRD activities are planned in advance based on Training Need Assessment (TNA) conducted for all employees across the organization, levels & departments and is enlisted for the year in **Human Resource Development Action Planner**. Around 5922 employees have undergone classroom, in-house and external training programs this year. Training is being imparted in all functional areas including programs on Sub-station Automation, Latest Survey Techniques, Developing Marketing Skills for Telecom Business, Advanced Features in IT, Networking Administration and Security, Power System Analysis, etc.

To improve the character and personality, attitude and behaviour as also to bring about a paradigm shift in thinking of employees; several programs on soft skills have also been conducted across levels and regions. Additionally, employees

have been deputed for conferences & seminars for sharing of experience. Employees working at the grass-root level have been exposed to hands on training at manufacturer sites. All newly recruited employees are made to undergo an induction program. 137 Executive Trainees have been put through a one year induction training program during the year, which included class-room training, industry visits and on the job training. Employees promoted across categories are subjected to programs to enhance their skills. As a step towards integrated development of employees, we encourage employees to take up membership of professional bodies through reimbursement of the professional fees.

Our Employee Development Centres at Kishenpur, Itarsi, Hyderabad & Misa are accredited by the central organizations. We sponsor employees for long duration professional courses in Energy Management and MBA programs of the leading management institutions. POWERGRID has also taken up training of employees of State Electricity Boards and other power utilities within the country and overseas.

Employee Welfare

POWERGRID believes that its human resource consisting of about 8,200 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, practice of participative management etc..

We are first Company in Indian Power Sector to get our entire establishments certified under Social Accountability 8000:2001. The Cafeteria in the Corporate Office and Food Lounge of Multi Purpose hall of your Company is conferred with ISO 22000:2005 where quality food is being served to employees. POWERGRID has also been certified compliant under OHSAS 18001:1999 for providing a healthy working environment for employees by ensuring norms for occupational health and safety in the workplace.

Cultural programmes are conducted periodically for promoting healthy community living and entertainment on various occasions like, Diwali get-together, Holi Milan, New Year, Raising Day, etc. Apart from the social gatherings on National festivals, to promote awareness amongst employees and their families about benefits of classical and traditional art forms like dance, drama, music etc., various cultural events are organised round the year on regular basis wherein various renowned artists are roped in to perform live.

The Company has also been organizing Intra-Regional Sports Competitions for Kabbaddi, Cricket, Volleyball, Chess, Badminton etc. and regularly been participating in the Inter-PSU Sports Meet. POWERGRID players in Kabbaddi, Table-Tennis and Lawn-Tennis have stood meritorious and bagged awards in the Inter-PSU tournaments.

Citizen's Charter

POWERGRID formulated its Citizen's Charters 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 web site 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.

Implementation of Official Language



"Kriti Sankalan"- a collection of best articles by employees released by Hon'ble Union Minister of Power

Your Company continued its thrust on official language implementation in-line with Govt. of India's Policy. Several steps were taken to increase the use of Rajbhasha in the Company and the Company has proved its commitment to ensure the implementation of Rajbhasha Policy.

The Company has made all efforts to increase the use of the official language and for its continued propagation, various activities like organising workshops; to give training, meetings, poetry session, culture activities, Publication of Hindi magazines/papers and lectures from eminent personalities

are regularly organized. Hindi library of POWERGRID is one of the best libraries in Public Sector Units. All records of Hindi books & magazines are kept in computer for easy access through internet. All computers of POWERGRID are bilingual & phonetic key board is made available in all computers. For outstanding and noteworthy contributions in Hindi, number of incentives and reward schemes are in force. Efforts made by POWERGRID in promoting the implementation of Rajbhasha have been applauded in many forums.

Renewed Commitment to Transparency

Bringing the practices in POWERGRID up to the internationally acclaimed best practices for raising integrity levels in procurement of works and services, POWERGRID is implementing the Integrity Pact program in line with the recommendation of Central Vigilance Commission (CVC).

POWERGRID has been taken a number of steps to improve vigilance functioning in the organization as well as for effective implementation of the CVC's directives through leveraging technology. Publication of NITs and contract documents on website, Bill tracking system & E-payments, etc. have already been implemented and E-procurement is being implemented.

Besides above, to improve transparency in our working, information about sub-vendor approval, publication of HR Rules and policies, details of Contracts awarded (> Rs. 1 Crore) as well as evaluation criteria are made available on the website for various stakeholders. Further, Rules and Regulations of the Company are also periodically uploaded on the website as per the requirements of the RTI Act.

In accordance with the CVC directives, the Company is striving to intensify the preventive aspect and minimising the punitive aspect. This new dimension is to plan online inspections in such a manner that critical activities of pre-award and post-award functions are inspected while they are being performed and at the critical time.

Several procedural improvements were carried out during



Courage for excellence





CMD communicating with employees

the year including amendment to Rule 13 of the CDA Rules regarding furnishing of information by employees. Apart from this, a module for Document Tracking in the form of Vigilance Information System (VINS) has also been developed for use in the Vigilance Department.

During the year, 19 complaints were received and a total of 42 complaints were taken up for investigation. Out of these 19 complaints, 5 cases were taken up for investigation on the basis of Audit Paras and 4 cases were referred by Central Vigilance Commission for investigation. Investigation into complaints has resulted in the issue of Advisory Memos to 16 employees and minor penalties have been imposed on 6 employees and 3 employees were exonerated of the charges.

The Vigilance Department of POWERGRID has laid special emphasis on inspections, both at the Corporate as well as the regional level. During the year, 113 inspections including 98 site inspections were conducted. Besides, the CTE's organization conducted 4 inspections in POWERGRID and 128 nos. CTE paras have been settled during the year. In POWERGRID, high priority has been placed on training and as part of these trainings, various workshops were organized at the regions. 109 executives were imparted training on vigilance matters during the year.

Besides, all reports, charge-sheets as well as property returns of employees are being furnished on-line. Web Based Complaint Handling System is already functioning at Corporate Centre, ERLDC, NERLDC, SRLDC and NRLDC.

MANAGEMENT DISCUSSION AND ANALYSIS

The Report on Management Discussion and Analysis is placed at Annexure-I to this Report.

PARTICULARS OF EMPLOYEES

The particulars of employees of the Corporation who were 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 (Disclosure 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

Comments on the accounts for the year ended 31st March, 2009 by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 are given in Annexure-IV to this Report.

CORPORATE GOVERNANCE

A report on the Corporate Governance, forming part of this report, is given in Annexure-V. The Certificate on Corporate Governance obtained from the joint Statutory Auditors is given in Annexure -VI to this Report.

BOARD OF DIRECTORS

Shri. S. K. Chaturvedi assumed the charge of the post of Chairman & Managing Director, Power Grid Corporation of India Ltd. with effect from 1st August, 2008 vide Office Order No. 11/24/2007-PG dated 8th July, 2008 of Ministry of Power, Govt. of India. The Board extends a very warm welcome to Shri Chaturvedi on assumption of post of CMD. During the year, Sh. S. Majumdar, Director (Projects) who had assumed the additional charge of the post of CMD on 30th May, 2008, relinquished the same on 1st August, 2008.



Earlier during the year, Dr. R. P. Singh relinquished the charge of post of CMD, POWERGRID w.e.f. 30th May, 2008 on acceptance of his resignation by President of India vide Ministry of Power, Office Order dated 30th May, 2008. The Board wishes to place on record its deep appreciation and gratitude for invaluable contribution and support to the Company made by Dr. R. P. Singh during his tenure as the CMD.

Shri I.C.P. Keshari, Joint Secretary, MoP joined the Board on 6th March, 2009 in place of Shri G.B. Pradhan, who ceased to be the Director of the company w.e.f. 6th March, 2009. The Board wishes to place on record its deep appreciation

for the valuable services rendered by Shri Rajesh Verma and Shri I.C.P. Keshari during their association with POWERGRID.

During the year, Shri V.M. Kaul assumed charge as Director (Personnel) on 16th March, 2009. Shri R.N. Nayak assumed charge as Director (Operations) on 16th May, 2009.

In addition to the four Non-official Part-time Directors viz. Dr. P.K. Shetty, Dr. A.S. Narag, Shri Anil K. Agarwal and Shri F.A. Vandrevale existing on the Board of POWERGRID further, two Non-official Part-time Directors viz. Shri S. C. Tripathi, former Secretary to the Govt. of India and Shri Ashok Khanna

Mysore Substation



for the valuable services rendered by Shri G.B. Pradhan during his association as a Director with POWERGRID.

Shri Rajesh Verma, Joint Secretary & Financial Advisor, Ministry of Power, ceased to be the Director of the Company w.e.f. the afternoon of 26th March, 2009, in terms of the provisions of Article 31 (c)(iv) of the Articles of Association of the Company. Shri Rakesh Jain assumed the charge of Joint Secretary & Financial Advisor, Ministry of Power, w.e.f. 9th June, 2009. Shri Sudhir Kumar, MoP joined the Board of the company w.e.f. 22nd May, 2009 in place of Shri I.C.P. Keshari, who ceased to be on Board of the company w.e.f. 22nd May, 2009. The Board wishes to place on record its deep

appreciation for the valuable services rendered by Shri Rajesh Verma and Shri I.C.P. Keshari during their association with POWERGRID.

were appointed on the Board of POWERGRID on 25th April 2008. In terms of Ministry of Power Order dt. 23rd July, 2008, Smt. Sarita Prasad, IAS (Retd.) took charge as part-time non-official Director on the Board of POWERGRID w.e.f. 4th August, 2008. The Board extends a very warm welcome to them.

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 read with Article 31 (iii) of the Articles of Association of the Company four directors – Dr. A.S. Narag, Shri Anil K. Agarwal, Shri F.A. Vandrevale and Shri S.C. Tripathi, shall retire by rotation at the Annual General Meeting of your Company and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENT

The Board of 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, Regional Power Committees, other concerned Govt. departments/ agencies at the Central and State level as well as from Securities and Exchange Board of India, National Stock Exchange of India Ltd., and Bombay

various International and Indian Banks/ Multilateral Agencies/ Financial Institutions/ Credit rating agencies for the continued trust and for the confidence reposed by them in POWERGRID. Board's special appreciation and thanks are due to the valued customers, the purchasers of power as also to valued consultancy clients, who have reposed confidence in POWERGRID.

The Board also appreciates the contribution of contractors, vendors and consultants in the implementation of various projects of the Company. The Board acknowledges with thanks the constructive suggestions received from C&AG and the Statutory Auditors.



Stock Exchange Ltd., Mumbai 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 Board also conveys its gratitude to the shareholders,

Last but not the least, the Board wishes to place on record its appreciation for the untiring efforts and contributions made by the employees at all levels and the various Employee unions across POWERGRID, to ensure that the company continues to grow and excel.

For and on behalf of the Board of Directors



(S. K. Chaturvedi)

Chairman & Managing Director

Place: New Delhi

Date : 29th July, 2009



Annexure - I to the Directors' Report

MANAGEMENT DISCUSSION AND ANALYSIS

Economic Outlook

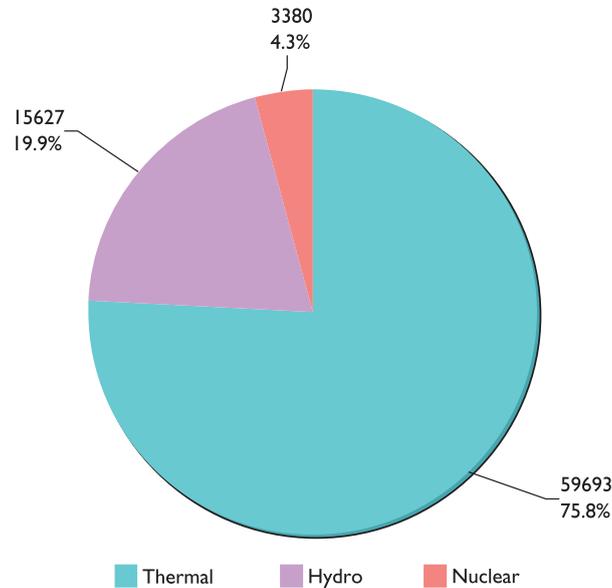
The Growth rate of the country's Gross Domestic Product dipped from an average of over 9 per cent in the previous three fiscal years to 6.7 per cent during 2008-09. Like other infrastructure, investments in Power Sector directly impact the growth and development of a country. The current economic slowdown provides an opportunity for countries like India that have a substantial infrastructure requirements. This is reinforced by the fact that spending on infrastructure has large multiplier effects. It not only mitigates the supply side bottlenecks to growth, but also provides the requisite demand side stimulus to growth. One of the key challenges facing the Country is to lead the economy to high GDP growth rate of 9 per cent per annum at the earliest and electricity certainly is a key driver for that.

Sectoral Outlook

In terms of capacity addition, the target of Centre and States for the Eleventh Plan are as under:

Type/Sector	Central	State	Private	Total
Thermal	24840	23301	11552	59693
Hydro	8654	3482	3491	15627
Nuclear	3380	0	0	3380
Total	36874	26783	15043	78700

Source :CEA website- www.cea.nic.in



Out of the above targets, the commissioned capacity addition as on 26.03.2009 is as under:

Capacity addition during the Eleventh Five Year Plan (MW)				
Status	Central	State	Private	Total
Plan Target	36874	26783	15043	78700
Commissioned (as on 26.3.2009)	3990	7094	1383	12467
Under construction	29540	18269	19734	67543

Source: Economic Survey 2008-09. Table 9.7

The power sector exhibited considerable shortfall in capacity creation in 2008-09 when compared to the recent past.

Item	2006-07	2007-08	2008-09
Power capacity addition (MW)	6853	9263	3454

Source: Economic Survey 2008-09. Excerpts from Table 9.1

The Installed Generation Capacity as on 30-04-09 is as under:

All India	Thermal				Nuclear	Hydro (Renewable)	RES@ (MNRE)	Grand Total
	Coal	Gas	Diesel	Total				
MW	77948.88	14876.61	1199.75	94025.24	4120.00	36877.76	13242.41	148265.41
%age	52.6	10.0	0.8	63.4	2.8	24.9	8.9	100.0

@ based on data as on 30.09.2008

Source : CEA website- www.cea.nic.in

The growth in electricity generation by power utilities during 2008-09 at 2.7 per cent fell much short of the targeted 9.1 per cent. The scenario of power generation in the thermal, nuclear, and hydro for 2008-09 has been as under:

Power Generation (*) by Utilities (billion kWh)

	Sector	2007-08	2008-09	Growth (Per Cent)
Thermal	Central	240.36	245.96	2.3
	State	261.78	280.48	7.1
	Private	56.67	63.66	12.1
	Total	558.82	590.10	5.6
Hydro	Central	41.81	43.36	3.7
	State	76.27	64.50	-15.3
	Private	5.49	5.22	-4.8
	Total	123.57	113.08	-8.4
Nuclear	Central			
	Total	16.78	14.71	-12.3
Bhutan IMP		5.90	11.80	
All India	Central	298.95	304.03	1.7
	State	338.05	344.97	2.1
	Private	62.16	68.89	10.6
	Total	704.45	723.80	2.7

* Excludes generation from captive and non conventional plants and thermal plants below 20 MW units and hydro plants below 2 MW.

Source: Economic Survey 2008-09 Table 9.3

The negative growth in power generation from hydro stations during 2008-09 has been stated to be mainly due to less inflow into reservoirs, due to low rainfall during the monsoon. Power generation from nuclear power stations also registered negative growth, mainly due to fuel supply constrains. Other reasons for the lower growth in power generation during the year 2008-09 stated include shortage of coal and gas, shortfall in capacity addition, delay in achieving commercial operation/commencement of full generation from some newly commissioned units due to non-completion of balance of plant works and initial stabilization problems in some of the new thermal units.

Under the coal-based Ultra Mega Power Projects (UMPPs), each with a capacity of 4,000MW, which include Mundra Project awarded to Tata Power Company and the Sasan and Krishapatnam UMPPs awarded to the Reliance Power Ltd., POWERGRID is establishing the associated transmission systems of Mundra and Sasan UMPPs and investment approval for establishing the associated transmission systems of Krishapatnam UMPP will be obtained from the POWERGRID Board.

The concept of merchant sale of power is part of the new "Hydel Policy 2008".

The Capacity Addition target and Electricity Generation Target for the year 2009-10 are as under:

Capacity Addition Target (2009-10)

	Hydro	Thermal	Nuclear	Total
Target (MW)	845.0	13002.0	660.0	14507.0

Electricity Generation Target (2009-10)

	Hydro	Thermal	Nuclear	Bhutan (Imp)	Total
Target (MU)	115468	648479.58	19000	6564	789511.58

Source :CEA website- www.cea.nic.in

**The All India Annual per Capita Consumption of Electricity figures are as under:**

Year	Per Capita Consumption (kWh) (As per U.N. methodology)
2002-03	566.7
2003-04	592.0
2004-05	612.5
2005-06	631.5
2006-07	671.9
2007-08	704.2

Source :CEA website- www.cea.nic.in

The All India Village Electrification as on 31.03.2009 is **489532 (82.4%)***

Power supply position 2009-10 (APRIL,09)*

Region	Energy (MU) Requirement	Deficit %	Peak Demand (MW)	Deficit %
Northern	15,877	-6.8	32,054	-12.4
Western	22,303	-14.9	35,316	-15.0
Southern	18,696	-9.0	29,376	-10.2
Eastern	7,548	-7.4	12,740	-8.6
North Eastern	701	-13.1	1,460	-13.0
All India	65,125	-10.4	110,946	-12.2

Source :*CEA website- www.cea.nic.in

POWERGRID - the Company

The Government of India has conferred “Navratna” status to POWERGRID on 1st May, 2008 which provides us with powers to undertake new transmission projects of any amount without Government approval. Earlier, POWERGRID was a Mini-Ratna Category-I public sector undertaking since October, 1998.

Growth in Transmission

Keeping in view the large incremental capacity addition requirements of the current Plan 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 has in place the requisite Load Despatch facilities for real time grid operation. POWERGRID has, till 31st March, 2009:

- Ø Transmission Network of 71,500Circuit kms of Extra High Voltage transmission lines (an increase of 6.7% over Transmission Network of 67,000Circuit kms as on 31st March, 2008) with 120 nos. of EHVAC & HVDC sub-stations.
- Ø Inter-regional power transfer capacity of about 20,800MW,
- Ø Maintained the transmission system availability at 99.55% during 2008-09, at par with the International utilities.
- Ø Wheeled about 45% of the total power generated in the Country during 2008-09.

POWERGRID's Commitment Towards Furtherance of National Grid

During the year, the Company has added transmission network of 4642 Circuit Kms. 9 EHV AC sub-stations and transformation capacity of 6,400 MVA. The target and achievement of POWERGRID in project implementation during the year 2008-09 have been as under:

Works	Target to achieve excellent rating as per MOU	Achievement	Percentage
Foundation (Nos.)	12000	12029	100%
Tower Erection (Nos.)	12000	12042	100%
Stringing (in cKms.)	7500	7207	96%
Transformation Capacity addition (MVA)	6285	6400	102%

- 1 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 2012. This would require capital investment of around Rs.55,000

crore during XI Five Year Plan for supporting Central sector generation capacity addition programme of XI plan.

- 1 POWERGRID is also entrusted with role of Central Transmission Utility (“CTU”) by Gol. In this role, the company operates as one of the chief agencies responsible for the planning and development of the country’s nationwide power transmission network, including interstate networks.

The company has taken the initiative to develop certain new transmission lines and systems with private parties, in public-private joint ventures. The detail in this regard has been provided later in the discussion.

- 1 Leveraging on our strengths, we have diversified into the consultancy business. Since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to more than 90 clients in around 250 domestic and international projects. In our consultancy role, we have also facilitated the implementation of various Gol-funded projects for the distribution of electricity to end-users, such as the Accelerated Power Development and Reform Programme (“APDRP”) in urban and semi-urban areas and the Rajiv Gandhi Grameen Vidhyutikaran Yojana (the “RGGVY”) in rural areas.
- 1 Your company has also diversified into the telecommunication business, by creating a telecommunication network mainly using our overhead transmission infrastructure. As on 31st March, 2009 your company owns and operate a fibre-optic cable network of around 20500 kilometres long and connected over 60 Indian cities, including all major metropolitan areas. We have been leasing bandwidth on this network to more than 60 customers, including major telecom operators such as Bharat Sanchar Nigam Limited, Videsh Sanchar Nigam Limited, Tata Teleservices Limited, Reliance Communications Limited and Bharti Airtel Limited.

- 1 On the commercial front, under the Securitization Scheme, out of the total securitization dues of Rs.2111 crore, Bonds of Rs.93.51 crore (for DESU period), are pending for issuance. During 2008-09, bonds worth Rs.195.86 crore have been redeemed by the SEBs. In addition, Rs. 15.43 crore has been received against long term advances from Delhi (against Delhi Vidut Board).

POWERGRID has realized about 100% of its Transmission Charges during the Year 2008-09, against the actual billing of Rs. 5877 crore. Post securitization, dues of (from 01.10.01 to 31.03.09) Rs.3.92 crore are outstanding and these dues are from Meghalaya. Further, during the year 2008-09, the LC Coverage went upto Rs. 371.83 crore as against Rs.280.03 crore during the year 2007-08.



Innovative pole tower for conservation of environment

- 1 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 orders of Ministry of Power, Government of India. From 1994 to 1996, POWERGRID took over the operation of all five of the country’s existing RLDCs in a phased manner. The Assets of RLDCs are being used by the Company pending transfer of ownership and determination of cost of assets so taken over. Keeping in view the necessity of load despatch in real time with reliability and security on an economical basis, POWERGRID modernised the existing five RLDCs and state load despatch centres and their communication networks, down to the level of individual sub-stations. It undertook and completed this work under (“Unified Load Despatch and Communication) ULDC Project. POWERGRID has also during the year established National Load Despatch Centre (NLDC).
- 1 The Ministry of Power had in July, 2008 with the approval of Competent Authority advised your Company to set up a wholly owned subsidiary Company of POWERGRID responsible for independent system operation with separate accounting and Board structure. In line with the advice of GOI received by POWERGRID, this Company has been incorporated by POWERGRID on 20th March, 2009 under the name ‘Power System Operation Corporation Limited’. Further steps and action in this regard are being taken up by your Company. This subsidiary company will be gradually made independent from Power Grid Corporation of India Ltd., at the appropriate time.
- 1 **Overcoming Construction Challenges**
POWERGRID would be implementing major quantum of works towards transmission development in the next 5-6



years. In addition, many projects under consultancy assignments are being executed. These entail multi dimensional challenges relating mainly to accessibility, construction feasibility, technical restrictions, conservation of environment and right of way etc. POWERGRID has taken following measures to meet the massive task.

Route Alignment & Detailed Survey Using Modern Techniques

The route alignment and detailed survey of transmission lines is being carried out after examining various alternatives with the help of latest GIS techniques using Satellite imagery obtained from NRSA (National Remote Sensing Agency) and topographic maps from Survey of India. As a result of the updated/latest information, details available through Satellite images, optimal selection of transmission line route involving minimal environmental impact is possible.

Further, various details, constraints related to the line route like topographical and geotechnical details, forest & environmental constraints etc. are obtained in advance so that a secure and reliable system is designed and necessary engineering aspects are taken care of before execution. Elaborate definition of the project through surveys in advance also facilitate preparation of realistic bill of quantities for tendering, identification of appropriate strategies for project execution, scheduling & cost optimization.

Land Availability for Sub-stations

Land availability is becoming an issue in suburbs of cities where large EHV/UHV Sub-stations are proposed. Gas Insulated Sub-stations (GIS) are considered as an option to overcome the problem.

Vendor Development Programme

Considering the large number of transmission system planned for XI and XII Five Year Plans, activities for development of additional indigenous manufacturers for various components having long production cycle such as conductor, transformer, reactor etc. and more erection contractors for substations, have been initiated. The various contracts awarded under this programme are already under execution.

Towards Standardisation

POWERGRID has given thrust on standardisation of the repetitive and package-wise 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. The standardisation of designs/drawings/type testing has helped in minimizing post award engineering activities for regular packages.

Forest Clearances

Forest clearance under Forest (Conservation) Act 1980 is a prerequisite for starting construction in forest area. Such clearances are issued after Forest advisory Committee (FAC) of Ministry of Environment & Forests (MOEF) review & recommend proposal for approval of Hon'ble Minister of Environment and Forests. However in Oct.'06 Hon'ble Supreme Court had stayed the constitution of Forest Advisory Committee (FAC). Supreme Court after detailed deliberation during 3 hearings on POWERGRID application for vacation of stay had vacated the stay vide its order dated 27.04.07 but put an extra condition that all recommendations of FAC shall be put up to Supreme Court through Central Empowered Committee (CEC) and only after permission of Supreme Court forest clearance shall be processed/issued by the MOEF. However, order of Supreme Court dt. 2.5.08 on the subject has changed this process to earlier position, after reconstitution of Forest Advisory Committee (FAC) by MOEF. FAC has been reconstituted in May, 2008 by MOEF. With this modification, now except for cases involving protected areas like National Parks, Wild Life Sanctuaries etc.,

forest clearance cases are not referred to CEC or Supreme Court.

Through our relentless efforts we were able to get the in-principle forest clearance for 490.41 Ha. of forest involved in our projects like Seoni-Bina 765kV S/C; Birsinghpur-Damon 400kV D/C; Damon-Bhopal 400kV D/C; Ballia-Bhiwadi 400KV D/C; Jamshedpur-Baripada 400KV D/C; Agra-Bhiwadi 400 KV D/C; Birsinghpur-Korba 400kV D/C, etc.

1 Preventive Maintenance Live Line Washing Using Helicopter

For the first time in India, live line washing of insulators using Helicopter



was carried out by POWERGRID. This highly sophisticated technique was implemented by deploying helicopter on 12 transmission lines in heavy polluted stretches for a period of five months (Nov'08 to March'09). The results are encouraging as the trippings reduced on above mentioned transmission lines.

Usage of Polymer Insulator

To ensure smooth operation of transmission lines during foggy weather condition in and around NCR in combination with pollution causes large trippings, conventional porcelain insulators were replaced with polymer insulators (with higher creepage of 31mm/ kV) in these stretches. Hydrophobicity is one of the features which make polymer insulators optimum choice for heavy pollution and foggy areas.

Efforts on IPTC Route

POWERGRID initiated bid invitation of Projects B and C of the Western Region System Strengthening Scheme-II (WRSSS-II) through IPTC Route, comprising of transmission lines in the State of Maharashtra and Gujarat, respectively. The projects are under execution by Western Region Transmission (Maharashtra) Private Limited for Project B, and Western Region Transmission (Gujarat) Private Limited for Project C, wholly owned companies of Reliance Energy Transmission Limited (now known as Reliance Power Transmission Ltd.). These two Companies have got the Transmission Licence from CERC on 30/12/2008. In case these companies fail to execute the project as per Implementation Agreement the obligation shall be met out by Reliance Power Transmission Ltd.

Integrated Management Policy

POWERGRID is committed to:

- 1 establish and maintain an efficient and effective “National Grid” with due regard to time, cost, technology and value addition,
- 1 sustainable development through conservation of natural resources and adopting environment friendly technology on principles of Avoidance, Minimization and Mitigation,
- 1 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.

Integrity Pact

Bringing the practices in POWERGRID up to the internationally acclaimed best practices for raising integrity levels in procurement of works and services, POWERGRID is implementing the Integrity Pact Program in line with the recommendation of Central Vigilance Commission (CVC). The Integrity Pact Program envisages an ‘Integrity Pact’, an agreement between the prospective Bidders/Contractors and POWERGRID, committing the persons/officials of both parties, not to exercise any influence on any aspect of the contract. Only those Bidders who have entered into such an Integrity Pact with POWERGRID would be competent to participate in the bidding.

Grid Management and Performance

There has been no major grid disturbance in any part of the Country during the last 6½ 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. During the year, the frequency remained within the prescribed Indian Electricity Grid Code (IEGC) band (i.e. 49.0 to 50.3 Hz) for the most of the period (N E W Grid-91.65% and SR Grid-90.55%) in the year 2008-09. The frequency profile of the system is a clear indicator of the load generation balance in the Regions. System availability has been maintained at 99.55% during Fiscal 2009.

Open Access and Power Exchange

Inter-regional power transmission capacity, together with open access in transmission, facilitates increased real – time transfer and trading of electricity thus meeting more consumer demand and thereby ultimately benefitting the consumer.

The CERC has issued Open Access Regulations, 2008 which categorized the short term transactions as Bilateral and Collective (through Power Exchange). The Procedure for Scheduling of Collective Transactions was issued by POWERGRID, as Grid Operator and CTU, approved by CERC vide Order dated 13th June'08. NLDC, as the Nodal Agency for Scheduling of Collective Transactions, has utilized its in-house expertise for development of the software for processing of Collective Transactions through Power Exchanges. Operation of first power exchange in India commences from 27th June'08 and within a short span of time second power exchange became operational w.e.f. 22nd Oct'08. Some of the salient features of power exchange implementation are multiple exchanges envisaged, voluntary participation, double sided bidding, uniform pricing, day-ahead exchange, hourly bids and congestion management by market splitting.

About 31 Billion Units(BU), an average of about 2.6 BU per month, of energy approved during the year 2008-09 under STOA (bilateral & collective) as compared to about 30 BU of energy (average of about 2.5 BU per month) was approved in 2007 – 08.



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 2009-10 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 in place as per clause 49 of Listing Agreement, which has three independent Directors and one Non Executive Director.

Risk Management Procedure

POWERGRID is in the process of establishing Enterprise Risk Management Framework and a consultant for the purpose will be selected. The Consultant would examine the prevalent systems and procedure, organizational structure, functional responsibilities, processes, market, customers, and environment in the business activities of the Company for assessment of business risks and their mitigation and would prepare Documentation for the purpose.

Comparison of Fiscal 2009 to Fiscal 2008

Your company's total income in Fiscal 2009 was Rs.7028.54crore, which represented an increase of 38.32% over the total income of Rs.5081.53crore in Fiscal 2008. In Fiscal 2009, transmission and transmission-related activities constituted 88.41% of our total income, with the balance coming from our consultancy, telecommunication businesses and other incomes.

Income

Revenue from Operations

(Rs. in crore)

Revenue from Operations	Fiscal 2009	Fiscal 2008
Revenue from transmission charges	6172.66	4188.52
Transmission income from short term open access	41.42	52.73
Consultancy fees	215.90	250.04
Revenue from telecom	149.83	123.53
Total	6579.81	4614.82

The revenue was higher in Fiscal 2009 as compared to Fiscal 2008 mainly on account of the commissioning of new transmission assets worth Rs. 3733.74 crore and full year impact of transmission assets worth Rs. 5958.19 crore commissioned during fiscal 2008 including the major projects Bina-Nagda; Kahalgaon 2 Phase I;Vindhyachal III, System Stengthening -III of SR; RAPP 5&6 ; SIPAT-I; SIPAT-II; Kahalgaon 2 Phasell; System Strengthening in South West of Northern Grid (PART-A). The projects commissioned in Fiscal 2009 have generated revenue from the date of commercial operation during the year.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Tariff Norms

Our charges for transmission customers are governed by tariff norms determined by the Central Electricity Regulatory Commission ("CERC") pursuant to central government tariff policy and legislation. Under the tariff regulations applicable for the year 2008-09, we are permitted to charge our customers fixed annual transmission charges ("ATC") which include components for return on equity, interest on outstanding debt, depreciation, advance against depreciation, operation and maintenance expenditure and interest on working capital. In addition, tariffs allow us to recover income tax we pay with respect to our transmission business and foreign exchange rate variation ("FERV") in respect of our foreign currency loans. We are also provided with an incentive if the availability of our transmission network is above 98% in respect of alternating current systems and above 95% in respect of HVDC systems, and penalized if the availability of our network is below 98% or 95%, respectively. These tariff norms prescribed by CERC are applicable to all the tariffs we are awarded during the period from April 1, 2004 until March 31, 2009.

As per Section 61 of the Electricity Act, 2003 Central Electricity Regulatory Commission (CERC) shall be guided by the Electricity Policy issued on 12.02.2005 and Tariff Policy issued on 06.01.2006 while specifying the terms and conditions for the determination of tariff. The tariff policy inter alia states that the rates of depreciation notified by CERC would be applicable for the purpose of tariff as well as accounting. There would be no need for any Advance Against Depreciation. Foreign Exchange Rate Variation will not be a "pass through". Appropriate cost of hedging and swapping for management of FERV will be allowed.

CERC has vide its notification dated 19th January, 2009 notified the tariff regulations for the tariff Block 2009-14. Under the tariff regulations applicable for the tariff Block 2009-14, we are permitted to charge our customers transmission charges for recovery of annual fixed cost (“AFC”) consisting of components - return on equity, interest on outstanding debt, depreciation, operation and maintenance expenditure, interest on working capital. In case of projects commissioned on or after 1st April, 2009, an additional return on Equity of 0.5% will be allowed if such projects are completed within the timeline specified under the CERC tariff regulations for the Block 2009-14.

Earlier, tariffs allowed us to recover income tax and this was in addition to the return on equity. From the tariff Block 2009-2014, the Return on equity shall be computed on pre-tax basis, at the base rate of 15.5% to be grossed up by grossing up the base rate with the normal tax rate for the year 2008-09 applicable to the transmission licensee. However, return on equity with respect to the actual tax rate applicable to the transmission licensee, in line with the provisions of the relevant Finance Acts of the respective year during the tariff period shall be trued up separately for each year of the tariff period along with the tariff petition filed for the next tariff period.

As regards interest on debt, under the CERC tariff regulations for the Block 2009-14, the normative loan outstanding as on 1.4.2009 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2009 from the gross normative loan.

The repayment for the year of the tariff period 2009-14 shall be deemed to be equal to the depreciation allowed for that year. The advance against depreciation has been done away with. Despite any moratorium period availed by your company, the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed. The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project.

For interest on working capital, the working capital amount is- (i) calculated as consisting of receivables equivalent to two months of fixed cost; (ii) maintenance spares @ 15% of operation and maintenance expenses; and (iii) operation and maintenance expenses for one month. Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2009 or on 1st April of the year in which the transmission system, is declared under commercial operation, whichever is later.

The transmission charge (inclusive of incentive) payable for a calendar month for a transmission system or part thereof shall be

$$AFC \times (NDM / NDY) \times (TAFM / NATAF)$$

Where,

AFC = Annual fixed cost specified for the year, in Rupees

NATAF = Normative annual transmission availability factor, in per cent

NDM = Number of days in the month

NDY = Number of days in the year

TAFM = Transmission system availability factor for the month, in per cent

Recovery of transmission charge and incentive by the transmission licensee shall be based on the achievement of the operational norms as under:

Under the tariff norms prescribed by CERC for the tariff Block 2009-2014 we are also provided with an incentive if the availability of our transmission network is above 98% in respect of alternating current systems, above 95% in respect of HVDC back-to-back Stations systems and above 92% in respect of HVDC bi-pole links and penalized if the availability of our network is below 98%, 95% or 92% , respectively. The Availability Incentives will be linked with monthly transmission charges instead of being linked to equity in the block of 2004-09.

Transmission charges corresponding to any plant capacity for which a beneficiary has not been identified and contracted shall be paid by the concerned generating company.

The tariff regulations for the Block 2009-14 allow us to share the proceeds of carbon credit from approved CDM projects in the manner that 100% of the gross proceeds on account of CDM to be retained by the company in the first year after the date of commercial operation of the transmission system; and in the second year, the share of the beneficiaries shall be 10% which shall be progressively increased by 10% every year till it reaches 50%, whereafter the proceeds shall be shared in equal proportion, by the company, and the beneficiaries.

Foreign Exchange Rate Variation:

Your company under the tariff regulations for the block 2009-14 is permitted to hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the transmission system, in part or full in the discretion of the transmission licensee. Recovery of the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt can be made by the company, in the relevant year on year-to-year basis as expense in the period in which it arises.



To the extent the company is not able to hedge the foreign exchange exposure, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year shall be permissible provided it is not attributable to the generating company or the transmission licensee or its suppliers or contractors. The company shall recover the cost of hedging and foreign exchange rate variation on year-to-year basis as income or expense in the period in which it arises.

Short Term Open Access

One of the goals of the Electricity Act, 2003 is to provide electricity generators and users with open access to electric power transmission systems on a non-discriminatory basis, when capacity is available and such access will not disrupt regular fixed charge access or network operation. Our portion of revenue from the short term open access charge is accounted for as revenue from operations. As RLDC, we also charge short term open access customers a separate fee for the scheduling of their access through the relevant load dispatch centres. Your company's Transmission income from short term open access was Rs. 41.42crore in Fiscal 2009, a decrease of 21.45% over Transmission income from short term open access of Rs. 52.73crore in Fiscal 2008. Despite increase in transactions, the decrease in STOA income is due to change in charging methodology of Open Access as per the regulatory order of CERC w.e.f. 01.04.2008.

Revenue from Other Services

Your company also earns revenue from consultancy (including for project management and supervision services) and from our telecommunication business. Our consultancy income mainly consists of fees from work under the APDRP and the RGGVY, the execution of transmission and communication system related projects on a turnkey basis and technical consulting assignments for Indian State utilities and utilities in other countries. There has been a decrease in consultancy revenue from Rs. 250.04crore in Fiscal 2008 to Rs. 215.90crore in Fiscal 2009, a decrease of 13.65%. The Telecom revenue grew by 21.29 % over Fiscal 2008.

The revenue from our telecommunication business is mainly on account of leasing bandwidth of our fibre-optic lines.

Provisions Written Back

The provisions written back were Rs.0.04crore in Fiscal 2009, as against Rs.8.39crore in Fiscal 2008.

Other Income

Your company's other income was Rs. 448.69 crore in Fiscal 2009, a decrease of 2.10% over the other income of Rs.458.32crore in Fiscal 2008.

(Rs. in crore)

Other Income	Fiscal 2009	Fiscal 2008
Dividend on trade investments	19.54	5.39
Interest income – bonds and long term advances	132.99	149.99
Interest income – banks/others	176.69	108.59
Profit on sale of fixed assets	0.08	6.14
Deferred income (transfers from grants in aid)	18.42	17.65
Operational charges in respect of short term open access	20.19	21.11
Transfer from insurance reserves on a/c of loss of fixed assets	0.04	1.65
Lease income from state sector ULDC upgrades	75.85	66.54
Surcharge on late payment from customers	1.00	0.24
Hire charges for equipment	0.30	0.39
FERV gain	-	42.96
Miscellaneous income	57.48	56.09
Total Other Income	502.58	476.74
Less: Transfer to incidental expenditure during construction	53.89	18.42
Total Net Other Income	448.69	458.32

The other income decreased mainly because there had been an FERV gain of Rs.42.96 crore in Fiscal 2008, which was accounted for as per the accounting policy applicable in Fiscal 2008. The above gain of Rs.42.96 crore along with FERV gain of Fiscal 2007 was written off in Fiscal 2009 as prior period expenditure.

Expenditures

Your company's total expenditures were Rs.4729.61 crore in Fiscal 2009, an increase of 49.25% over the total expenditures of Rs.3168.94 crore in Fiscal 2008. The total expenditures as a percentage of total income were 67.29% in Fiscal 2009 compared to 62.36% in Fiscal 2008.

Employees' Remuneration and Benefits

Employees' remuneration and benefits expenses include salaries and wages, incentives, allowances, benefits, contributions to provident and other funds and welfare expenses.

Your company had 8214 employees on payroll as of March 31, 2009, compared to 7,645 employees as of March 31, 2008. Employees' remuneration and other benefits increased by 24.05% to Rs.643.88 crore in Fiscal 2009 from Rs.519.06 crore in Fiscal 2008. The increase is due to an increase in the number of employees, increase in Dearness allowance, higher incentives paid to employees, provisions of Rs.202.13 crore (including amount transferred to Incidental Expenditure During Construction- IEDC) made for wage and salary revision which will be backdated to January 1, 2007 when it is finally implemented, Provision for Performance Related Pay (PRP) of Rs.76.78 crore (including amount transferred to IEDC) has been made as per DPE guidelines, as part of wage revision. The increase is also partially the result of the capitalization of transmission assets worth Rs.3733.74 crore in Fiscal 2009 because employees' remuneration that was earlier capitalized during the construction of the project is now treated as an operating expense subsequent to the commissioning of the project. Employees' remuneration and benefits represented 9.16 % of our total income in Fiscal 2009.

Transmission, Administration and Other Expenses

Transmission, administration and other expenses consist primarily of costs of the repair and maintenance of buildings, plant and machinery and power charges. Other items in this category include expenditures for travel, security, vehicle hire charges, insurance, rent rates and taxes on our properties.

Transmission, administration and other expenses increased by 20.56% to Rs.411.61 crore in Fiscal 2009 from Rs.341.42 crore in Fiscal 2008. The increase is on account of the capitalization of transmission assets worth Rs.3733.74 crore in Fiscal 2009 as certain expenses that were earlier being capitalized during the construction of the project are now treated as an operating expense subsequent to the commissioning of the project.

Depreciation

During the year, the company has provided depreciation at the rates notified for the purpose of recovery of tariff for the tariff block 2004-09 by Central Electricity Regulatory Commission empowered under The Electricity Act, 2003 which are different from the rates specified under Companies Act, 1956. Currently, the technical life of each depreciable asset class as prescribed by CERC is as follows:

- 1 transmission lines – 35 years
- 1 substations – 25 years
- 1 buildings and civil works – 50 years
- 1 power line carrier communications (PLCC) – 15 years.

We depreciate the assets of our consultancy and telecom businesses on the straight line method as per rates specified in Schedule XIV of the Companies Act, 1956.

The issue of charging depreciation at rates different from the rates specified under Companies Act had been referred by C&AG to the Ministry of Power (MOP). MOP has issued Tariff Policy on 6th January, 2006 which provides that rates of depreciation notified by CERC would be applicable for the purpose of tariffs as well as for accounting. Accordingly, the rates notified under present tariff norms are considered appropriate for charging depreciation for the year. By charging depreciation at the aforesaid rates the depreciation charge for the year is lower by Rs.781.29 crore (previous year Rs. 625.88 crore) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956 [refer Notes on Accounts No. 15(a)].

Your company's depreciation increased by about 14% to Rs. 1093.97 crore in Fiscal 2009 from Rs.959.65 crore in Fiscal 2008. The increase was mainly because of the commissioning of new transmission assets worth Rs.3733.74 crore and full-year impact in Fiscal 2009 of transmission assets Rs.5958.19 crore which were commissioned during Fiscal 2008.

The CERC norms notified on 19.01.2009 for the block year 2009-14, in accordance with the Tariff Policy 2006, specify depreciation @ 5.28%(T/L & S/s) in first 12 years and there after recovery based on residual value over the residual life will be allowed in place of average 2.91% in the block of 2004-09. However, useful life of assets has been kept unchanged. In case of the existing projects, the balance depreciable value as on 1.4.2009 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2009 from the gross depreciable value of the assets.

Interest and Finance Charges

Interest and finance charges increased by 89.03% to Rs.2532.09 crore in Fiscal 2009 from Rs.1339.55 crore in Fiscal



2008. The increase was mainly because of increase in FERV expenditure to Rs.943.34 crore from Rs.469.95 crore in fiscal 2008 mainly due to depreciation of rupee against US Dollar. This has been compensated by increase in transmission income – FERV as per accounting policy of the company. The increase was also because of the commissioning of new transmission assets worth Rs.3733.74 crore in 2009 and full-year impact in Fiscal 2009 of transmission assets 5958.19crore which were commissioned during Fiscal 2008.

These charges include rebates to state power utilities amounting to Rs.86.31crore on account of prompt payment and guarantee fees of Rs.106.28crore payable to the Gol for giving guarantees to the lenders of our foreign currency loans.

Deferred Revenue Expenditure Written Off

Deferred revenue expenditure written off decreased by 66.30% to Rs1.83 crore in Fiscal 2009 from Rs.5.43crore in Fiscal 2008. This decrease was on account that it was the last year (fifth year) of amortization of expenditure for certain projects (refer Accounting Policy 12).

Profit before Tax

Your company's profit before tax in Fiscal 2009 was Rs. 2228.57 crore, an increase of 28.78% over our profit before tax of Rs.1730.53crore in Fiscal 2008.

Provision for Tax

In Fiscal 2009, we provided for Rs.478.60 crore of Minimum Alternate Tax, compared to Rs.197.11crore in Fiscal 2008. The increase was primarily due to the increase in our profit. Further, provision of MAT has been made on advance against depreciation (AAD) for the current year as well as for the earlier years due to decisions of Appellate Tribunal in this regard. Similar amount has been included under transmission income on account of tax recoverable on AAD. Fringe benefit tax provided in Fiscal 2009 was Rs.14.60 crore against Rs.10.50crore in Fiscal 2008. Fringe benefit tax and the Minimum Alternate Tax paid in respect of our transmission business is recovered through our tariffs and such amounts are accounted for as transmission income.

Provision for deferred tax is made net of amounts recoverable through our tariffs and is affected by revenues from consultancy services and Telecom.

Profit after Tax

Your company's profit after tax in Fiscal 2009 was Rs. 1690. 61 crore, an increase of 16.72 % over our profit after tax of Rs.1448.47 crore in Fiscal 2008.

LIQUIDITY AND CAPITAL RESOURCES

Your company depends on both internal and external sources of liquidity to provide working capital and to fund capital requirements. Historically, the capital expenditures have been funded with internally generated funds, grants and equity contributions by the Government and debt financing. As at March 31, 2009, your company had cash and cash equivalents of Rs.2428.88 crore. As at March 31, 2009, we also had committed and undrawn letter of credit facilities of approximately Rs. 4.25 crore and unitized Bank Guarantees Rs.229.41 crore for capital requirements and committed and undrawn cash credit facilities of approximately Rs.300crore ("cash credit") towards our working capital facilities.

Cash Flows

(Rs. in crore)

	Year ended March 31	
	2009	2008
Net cash from operating activities	6641.09	2,990.83
Net cash (used in) investment activities	(9156.75)	(5,343.31)
Net cash from (used in) financing activities	3078.95	3,021.25
Cash and cash equivalents at the end of the year	2428.88	1,865.59

Net Cash from Operating Activities

Your company's net cash flows from operating activities are principally used to service long-term debt, for capital expenditures, for investments and for dividends.

The net cash from operating activities was Rs. 6641.09 crore in Fiscal 2009. Changes in current assets and liabilities that had a current period cash flow impact of decrease in working capital of Rs. 894.27 crore, primarily from an increase in trade payables and other liabilities and increase in inventories, loans and advances, trade and other receivables, and other current assets.

Net Cash (Used in) Investment Activities

Your company's net cash used in investing activities was Rs. 9156.75 crore in Fiscal 2009. This reflected expenditures on fixed assets and capital work-in-progress as well as construction stores and advances paid to contractors for capital expenditure of Rs.9423.60 crore, investment in joint ventures/subsidiaries of Rs. 39.50 crore and receipt of interest and dividend income of Rs.152.53 crore.

Your company's net cash used in investing activities was Rs.5343.31 crore in Fiscal 2008.

Net Cash from (Used in) Financing Activities

In Fiscal 2009, your company's net cash flow from financing activities was Rs. 3078.95 crore. Your company raised Rs.5717.09 crore of new borrowings. These borrowings included principally Rupee denominated bonds and foreign currency borrowings. The company repaid Rs.2177.89 crore of borrowings and paid interest and finance charges of Rs.2532.09 crore. In the Fiscal 2009, we paid dividends of Rs.505.08 crore comprising final dividend for Fiscal 2008 and an interim dividend for Fiscal 2009. Under Gol guidelines applicable to government companies generally, dividend is payable at a rate of 20% of profit after tax or 20% of share capital, whichever is higher. The minimum dividend payout in respect of infrastructure sector companies is 30% of profit after tax. The dividend payout this year has been 29.88%.

In Fiscal 2008, our net cash flow from financing activities was Rs.3021.25 crore.

Capital Expenditures

Your company's capital expenditures are primarily for the installation of new transmission capacity and the expansion of existing capacity. Our capital expenditure in Fiscal 2009 and Fiscal 2008, were Rs. 8095 crore and Rs.6656 crore, respectively. Capital expenditure budget for Fiscal 2010 has been approved for Rs.11,510 crore. Your company's capital expenditure budgets are subject to modification as a result of a variety of factors, changes to expansion plans and similar other factors.

Return on Equity

The return on equity that we were generally permitted in Fiscal 2009 on transmission assets under our tariffs has been 14%. Our actual return on equity from period to period across our entire business is 11.57%, for a number of reasons. For instance, we have significant equity funds locked up in capital work-in-progress, which do not earn return until the associated transmission projects commence operations. During the year, an amount of Rs. 880 crore, being the unutilized amount outstanding as 31st March, 2008 out of Initial Public Offer (IPO), has been fully utilized for the capital expenditure on the projects specified in the offer document. With this, the IPO proceeds, raised during Fiscal 2007, have been fully deployed in 15 identified construction projects. In addition, the SEB bonds that we hold under the One Time Settlement earn a maximum tax free return of 8.5% per annum.

Selected Balance Sheet Items

Fixed Assets

Your company's total fixed assets after depreciation were Rs. 31128.44 crore and Rs. 27,355.20 crore as at March 31, 2009 and 2008 respectively. Our fixed assets consist of plant and machinery such as transmission lines, substations, HVDC and ULDC equipment and other transmission equipment; buildings; land; office equipment; fixtures; and motor vehicles. Fixed assets value (Net Block) increased by 13.79% in Fiscal 2009 as compared to Fiscal 2008. These increases are mainly due to the commissioning of new transmission assets.

Capital Work-in-Progress and Construction Stores and Advances

Your company's capital work-in-progress was Rs. 6533.43 crore and Rs.5305.41 crore, as at March 31, 2009 and 2008, respectively. The cost of materials consumed, erection charges and other expenses incurred for the implementation of projects are shown on the balance sheet as capital work-in-progress, pending capitalization of the completed project. The change in this amount is due to capitalization of a number of transmission projects on commissioning of these projects and due to undertaking of new transmission projects. Construction stores and advances were Rs. 6752.57 crore and Rs. 3452.68 crore as at March 31, 2009 and 2008, respectively. These amounts represent the new as well as ongoing capital expenditure on transmission assets. The increase in these amounts is mainly due to the undertaking of new transmission projects.

Investments

Your company's investments mainly consist of bonds issued by the SEBs as part of the One Time Settlement. We have also invested Rs.12 crore in equity shares of PTC India Limited, the power trading company, and Rs.229.32 crore in Powerlinks Transmission Limited, the joint venture between us and The Tata Power Company Limited through which the Tala Transmission Project was constructed.; Rs.15.60 crore in Torrent Power Grid Limited; Rs.32.50 crore in Jaypee Powergrid Limited; Rs.1.83 crore in Parbati Koldam Transmission Company Limited; Rs.0.01 crore in Teestavalley Power Transmission Limited; Rs.0.03 crore in Powergrid IL&FS Transmission Pvt. Ltd. Our total investments were Rs.1592.83 crore and Rs. 1736.22 crore as at March 31, 2009 and 2008, respectively.

Loans and Advances

Your company's total loans and advances as at March 31, 2009 and 2008, respectively, were Rs.2766.63 crore and



Rs. 1767.30 crore. Loans and advances include advances under the One Time Settlement amounting to Rs. 115.69 crore in respect of DESU/DVB, a Delhi utility, loans to employees, lease receivables (representing certain capital expenditures made by the company in respect of the state sector ULDCs of all five regions, for which the constituents of those regions are reimbursing the company on a finance lease basis), loans and advances to contractors, advance income tax, TDS and other deposits with tax authorities. The increase in loans and advances from Fiscal 2008 to Fiscal 2009 was principally due to increase in advances to employees, advance tax, amount recoverable from constituents, etc. and TDS. In respect of outstanding advance tax and tax deducted at source, the assessment for the previous years are under process and wherever additional demand has been raised by the income tax authorities, the company has gone on appeal before Commissioner of Income Tax (Appeal), Income Tax Appellate Tribunal etc. and decisions are awaited.

Other Current Assets

Our other current assets as at March 31, 2009 and 2008 respectively, were Rs. 1446.28 crore and Rs. 395.17 crore. Other current assets mainly include interest accrued on investments under the One Time Settlement and interest accrued on employee loans.

Other current assets increased by 265.98% in Fiscal 2009 as compared to Fiscal 2008 due to accounting as per accounting policy of FERV of deferred Foreign Currency Fluctuation Asset of Rs. 1314.96 crore in other current assets in view of depreciation of rupee against US dollar.

Inventories

Inventories are valued at lower of the cost, determined on weighted average basis, and net realizable value. The costs of inventories were Rs. 297.57 crore, as at March 31, 2009. Our inventories consists of transmission line items such as tower parts, conductors, insulators and other items, and substation items such as transformers, circuit breakers, ICTs and other items. The cost of our inventories increased in Fiscal 2009 as compared with Fiscal 2008, on account of our company continuing to expand the transmission network and capitalization of new projects.

Sundry Debtors

Sundry debtors consist mainly of receivables relating to transmission services, and also receivables from consultancy services and telecom services. Our sundry debtors amounts as on March 31, 2009 and 2008 were Rs. 1373.56 crore and Rs. 1100.50 crore, respectively. Sundry debtors increased by 24.81% in Fiscal 2009 as compared to Fiscal 2008. The increase from Fiscal 2008 to Fiscal 2009 was mainly due to time lags between the provision and accounting of transmission services on certain new projects on accrual basis and the formal notification by CERC of the tariffs relating to those projects in Fiscal 2009 and to some extent due to accounting of certain items of incremented income on account of income tax and other taxes on an accrual basis.

We can recognize certain tariff components that are chargeable on a pass-through/recoverable basis as income, such as income tax and foreign exchange rate variations, without waiting for final tariff notifications. However, other tariff components, such as incentive amounts, are booked as income on a provisional basis based on certification of availability by the relevant Regional Power Committee until final tariff notification is received from CERC.

Substantially, all of our receivables are covered by letters of credit pursuant to the One Time Settlement Scheme, following which we have no material debt collection problems.

The comparison of actuals with Financial MOU targets is given below:-

MOU Parameters	MOU 2008-09	Actual 2008-09
Gross Sales (Rs. crore)	5400.00	7028.54
Gross Margin (Rs. crore)	4500.00	5926.82
Net Profit/Net worth (%)	10.50%	11.57%
Gross Margin/Gross Block	11.04%	14.70%
Gross Profit/Capital Employed (%)	12.00%	16.75%
PBDIT/Total employment (Rs. in lakhs)	53.57	72.16
Inventory/Gross Block(%)	1.00%	0.74%
Added value/Gross Sales (%)	31.82%	43.88%

Indebtedness

We rely on both Rupee and foreign currency denominated borrowings. A significant part of our external funding has been through long-term foreign currency loans from multilateral agencies such as the World Bank and the Asian Development Bank, with our performance under such loans guaranteed by the Gol.

The following table sets forth, by currency, our outstanding debt and the periods during which debt amounts mature or payment is otherwise due. Currency conversions are as of 31st March, 2009:

(Rs. in Crore)

	2009-10	2010-11	2011-12	2012-13	BEYOND 2012-13	TOTAL
RUPEES	844.32	1193.54	1424.29	1722.42	12282.04	17466.61
US\$	399.91	463.71	601.62	647.13	7,048.80	9,161.17
EUR	23.92	24.82	25.77	26.79	123.27	224.56
SEK	16.51	16.51	16.51	16.51	66.06	132.11
CHF	124.09	124.09	124.09	124.09	62.04	558.40
JPY	9.59	9.59	9.59	9.59	134.24	172.59

Secured Loans

Your company's secured loans as at March 31, 2009 and 2008 were Rs. 25288.25 crore and Rs.17552.13 crore, respectively. Secured loans include amounts raised from our private placement of bonds, term loans from banks, loans from the International Bank for Reconstruction and Development, Asian Development Bank and Bank of India. Due to the increased investment in new projects during the last year, our borrowings have increased substantially.

Most of the secured loans have been secured by floating charges on the moveable and immovable properties of the Company. The following table presents the secured debt as at 31st March, 2009:

	Amount (Rs. in crore)	% of total secured debt
Bonds denominated in Rupees	15112.07	59.76
Other Loans and Advances From Banks and Financial Institutions:		
Denominated in Foreign Currency*	9154.15	36.20
Denominated in Rupees	1022.03	4.04
Total	25288.25	100.00

*Loans guaranteed by the Government were Rs.8774.31crore.

Unsecured Loans

Our unsecured loans as at March 31, 2009 and 2008 were Rs. 3177.18 crore and Rs. 4711.35 crore. Unsecured loans mainly include loans from foreign financial institutions such as the European Investment Bank, Kreditanstalt für Wiederaufbau in Germany and Scandinavia Enskilda Bank in Sweden and term loans from the Power Finance Corporation and short term loans from Banks.

The following table presents our unsecured debt as at March 31, 2009:

	Amount (Rs. in crore)	% of total secured debt
Bonds denominated in Rupees	1297.50	40.84
Other Loans and Advances From Banks and Financial Institutions:		
Denominated in Foreign Currency*	1094.68	34.45
Denominated in Rupees	785.00	24.71
Total	3177.18	100.00

*Loans guaranteed by the Government were Rs. 404.17crore.

Advance Against Depreciation (AAD)

Advance against depreciation is a component of tariff that we are permitted to charge under CERC regulations. Our loans are generally of shorter duration compared to the technical life of our assets. Amounts paid to us in respect of depreciation on such assets are generally insufficient to cover our repayment of debts in respect of such assets. Therefore, advances against depreciation allow us to cover such shortfall. AAD is restricted considering a 10-year loan repayment schedule. AAD is accounted for as an advance until the tenure of the loan. Subsequent to repayment of the loan, AAD is transferred to income on a pro-rata basis for the remaining useful life of the asset. Definition of useful life of the asset is governed by CERC regulations. AAD has been done away with in the tariff block 2009-2014.



Current Liabilities

Your company's current liabilities as at 31st March, 2009 were Rs.6123.37 crore. The current liabilities include sundry creditors, advances from customers, security deposits, retention money withheld by us and other liabilities.

Current liabilities were 66.74% higher at March 31, 2009 compared to March 31, 2008. The increase is partly due to liabilities to some of the beneficiaries on account of UI dues which have been accounted for on accrual basis. Similar amount has been accounted for as receivable from the beneficiaries and included under loans and advances. These fluctuations are also due to the commissioning of particular projects at different times of the year in different fiscal years. When projects are commissioned, the liabilities relating to them are capitalized. If commissioning occurs in the early part of a fiscal year, the related liabilities are usually paid before the end of the fiscal year. In fiscal years when current liabilities are higher, there tends to be more projects commissioned toward the end of the fiscal year, whose related liabilities have not been paid by the end of the fiscal year. Variations in the amounts of advances received under consultancy contracts also result in current liability fluctuations. Accounting of deferred income from FERV has also contributed in increase in current liabilities.

Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as at March 31, 2009 and 2008:

(Rs. in crore)

	March 31, 2009	March 31, 2008
Claims against the Company Not Acknowledged as Debt in respect of Arbitration/Court Cases	1930.27	1117.31
Land/Crop/Tree Compensation Cases	480.89	545.24
Service Tax	2041.00	-
Others	125.66	34.74
Disputed Tax Demands -Income Tax	12.22	69.36
Disputed Tax Demands – Others	160.47	189.67
Continuity Bonds with Custom Authorities	809.42	837.50
Others	114.61	113.50
Total	5674.54	2907.32

Contingent liabilities increased by 95.18% in Fiscal 2009 compared to Fiscal 2008.

The increase was mainly due to inclusion of an amount of Rs.812.96 crore in the Contingent Liability for the Fiscal 2009 in respect of arbitration/court cases and Service Tax liability of Rs. 2,041 crore (including interest of Rs. 308 Crore) for the period from 1st May, 2006 to 31st March, 2009 for the company as a whole.

The Service Tax is leviable on 114 services as per the list of services notified under section 65 of the Finance Act, 1994. "Transmission of Power" is not a specified service in this list. However, The Service Tax Authorities are interpreting 'Transmission of Power' as taxable service under the head "Business Support Service" w.e.f 1st May 2006 given in the list of taxable services. Accordingly, the company has received Show Cause Notices from Service Tax / Central Excise Department at New Delhi and Shillong amounting to Rs.413 crores and Rs.66 Crores respectively plus interest and penalties. In addition, the Service Tax Authorities are gathering information from other regional offices of the company. The company has sought legal opinion in the matter and is in the process of submitting its replies with the concerned authorities.

Based on the legal opinion and the fact that transmission of power is not covered in the list of taxable services under section 65 of the Finance Act, the company has not provided for the liability on account of Service Tax on transmission charges.

The estimated amount of Service Tax liability of Rs.2,041 crore (including interest of Rs.308 Crore) for the period from 1st May, 2006 to 31st March, 2009 is shown as contingent liability for the company as a whole.

Moreover, petition has been filed with the Central Electricity Regulatory Commission (CERC) for reimbursement of service tax if levied by revenue authorities, since service tax is an Indirect Tax and is a pass through item in transmission tariff.

BUSINESS AND FINANCIAL REVIEW OF JOINT VENTURE COMPANIES:

A) PTC India Limited (PTC) :

1 Main Objective and Capital Structure

The main objective of the Company includes trading of power, import/export of power and purchase of power from identified private power projects and sell to identified SEBs/others.

As on 31.03.2009, PTC has Authorized share capital of Rs.750,00,00,000/- and paid-up capital of Rs.2,27,41,90,000/-. The promoters i.e. POWERGRID, NTPC, PFC Limited NHPC Ltd. individually hold 5.28% each or 21.11% collectively of the paid-up equity and subscribed share capital of the Company and the balance of 78.89% of the equity paid-up and subscribed share capital is held by Power Entities, Financial Institutions, Insurance Companies, Banking Institutions, Corporations, Investment Companies, Foreign Institutional Investors, Private Utilities and others including general public at large. The equity shares of the Company are listed on 'Bombay Stock Exchange Limited' (BSE) and 'The National Stock Exchange of India Ltd.' (NSE).

1 **Financial Highlights of the Company:**

(Rs. in crore)

Particulars	Fiscal 2009	Fiscal 2008
POWERGRID's investment in Equity	12.00	12.00
Gross Income*	6624.93	3949.02
Net Profit*	90.80	48.70
*Earning per Share** (in Rs.)	3.99	2.93

*unaudited results for fiscal 2009.

**Face value per Share is Rs. 10/- each.

B) Powerlinks Transmission Limited (POWERLINKS) :

1 **Main Objective and Capital Structure**

The Company was incorporated to undertake the implementation of Transmission Lines associated with Tala HEP, East-North interconnector and Northern Region Transmission System. This was POWERGRID's first public - private partnership in Power Transmission. POWERGRID and TATA POWER are the Joint Venture Partners in this Joint Venture Company and hold 49% and 51% equity, respectively. As on 31.03.2009, POWERLINKS has Authorized share capital of Rs.4,83,60,00,000/- and paid-up capital of Rs.4,68,00,00,000/- out of which POWERGRID holds Shares of Rs.229.32crore and TATA POWER hold shares of Rs.238.68crore.

POWERLINKS successfully commissioned the project in August, 2006. POWERLINKS has given a dividend of 10 % for Fiscal 2009.

1 **Financial Highlights of the Company:**

(Rs. in crore)

Particulars	Fiscal 2009	Fiscal 2008
POWERGRID's investment in Equity	229.32	229.32
Gross Income	268.89	255.29
Profit after Tax	65.34	58.41
Earning per Share*	1.40	1.25

*Face value per Share is Rs.10/- each.

C) JAYPEE POWERGRID Limited (JPL):

1 **Main Objective and Capital Structure**

The main objective of the Company is to implement a transmission system to evacuate power to be generated by 1000 MW Karcham Wangtoo Hydro Electric Power Project in Kinnaur District in Himachal Pradesh. The power under the system is to be evacuated from Wangtoo to Abdullapur. As on 31.03.2009, JPL has Authorized share capital of Rs. 300 crores and paid-up capital of Rs.125 crore divided into 12,50,00,000 equity shares of Rs.10/- each. Jaiprakash Hydro Power Limited, Jaiprakash Power Ventures Limited and POWERGRID individually holds 60.2%, 13.8% and 26%, respectively as on 31.03.2009. The Company has got the Transmission Licence in Oct. 2007. Since the project is under implementation, the income statement is not prepared.

D) Torrent POWERGRID Limited (TPL) :

1 **Main Objective and Capital Structure**

The main objective of the Company is to establish transmission system associated with 1100MW Gas Based project being implemented by Torrent Power Generation Ltd. (TPGL) at Akhakhol in Surat District of



Gujarat. POWERGRID and Torrent Power Ltd. are the Joint Venture Partners in this Company and hold 26% and 74% equity, respectively. As on 31.03.2009, TPL has Authorized share capital of Rs.125 crore and paid-up capital of Rs.60 crores. The Company has got the Transmission Licence in May 2007. Since the project is under implementation, the income statement is not prepared.

E) Parbati Koldam Transmission Company Limited (PKTCL) :

POWERGRID entered into a Joint Venture Agreement on 23rd November, 2007 with Reliance Energy Limited (REL) now Reliance Infra, for implementation of transmission lines associated with Parbati-II (800 MW) HEP and Koldam (800 MW) HEP. The Company named 'Parbati Koldam Transmission Company Limited' existing with POWERGRID to take up implementation of Parbati and Koldam Transmission systems through Joint venture route was converted to JVC. As on 31.03.2009, PKTL has Authorized share capital of Rs.198 crore and paid-up capital of Rs.7.05 crores. The Company has got the Transmission Licence in September, 2008. Since the project is under implementation, the income statement is not prepared.

F) POWERGRID IL&FS Transmission Pvt. Limited :

POWERGRID entered into a Joint Venture Agreement in January, 2008 with IL&FS for development of Intra state Transmission/ Sub-transmission projects in different states of the Country and outside India. The Joint Venture Company is named 'POWERGRID IL&FS Transmission Private Limited' with shareholding pattern of 50:50 basis. The company is exploring taking up of Projects for development. The Company was incorporated on 27.11.2007.

G) Teesta Valley Power Transmission Company Limited (TPTCL) :

POWERGRID entered into a Joint Venture Agreement on 23rd November, 2007 with Teesta Urja Limited (TUL) for implementation of transmission lines (i) Teesta-III to Mangan pooling station 400kV D/C line; and (ii) Mangan pooling station to New pooling station at Kishanganj 400kV D/C line associated with 1200 MW Teesta-III Hydro Electric Power Project. POWERGRID holds equity of 26% and TUL holds the balance 74%. The Company has got the Transmission Licence in Fiscal 2009. As on 31.03.2009, Teestavelly Power Transmission Limited has Authorized and paid-up share capital of Rs.5 Lacs. Since the project is under implementation, the income statement is not prepared.

H) North East Transmission Company Limited (NETCL) :

POWERGRID entered into a Joint Venture Agreement in February, 2009 with ONGC Tripura Power Company Ltd. (OTPC) and Government of Tripura for establishment of Transmission Line of 400kV D/C Palatana Bongaigan Transmission Project associated with 740 MW Palatana Gas base Power Project in the state of Tripura. The Joint Venture Company is named 'North East Transmission Company Limited'. OTPC, the generating Company is a joint venture of ONGC Ltd., Government of Tripura and Infrastructure Leasing & Finance Services Ltd., (IL&FS Ltd.). The grant of Transmission Licence to the joint venture Company has been communicated by the CERC in July, 2009.

I) Byrnihat Transmission Company Limited (BTCL) :

POWERGRID has one subsidiary viz. Byrnihat Transmission Company Limited (BTCL). The Company was incorporated on 23.03.2006 to take up implementation of Misa Byrnihat Transmission line on JV route. The said Transmission line has been executed by POWERGRID as a consultancy work. Presently, Byrnihat Transmission Company Limited is not doing any business.

Cautionary Statement

Statement in the Management Discussion and Analysis and Directors' Report 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. Readers are cautioned not to place undue reliance on the forward looking statements.

For and on behalf of the Board of Directors

(S.K. Chaturvedi)
Chairman & Managing Director

Place : New Delhi
Date : 29th July, 2009

Annexure-II to the Directors' Report

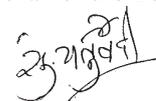
**PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A)
OF THE COMPANIES ACT, 1956 FOR THE YEAR 2008-09**

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	Sanjeev Singh	GM (ESMD)	B.E. (Elect.)	3182602	26	16.08.1991	48	NTPC LTD
2	Dr. Sushil Kumar Agarwal	ED (OS)	B.E. (Elect.), M.Tech (Public sector), Phd. (Mgmt)	2618320	34	21.06.1991	55	NTPC LTD
3	V.M. Kaul	Director (Personnel)	B.Tech. (Mech.), MBA	2522463	35	11.03.2002	57	NTPC LTD
4	P. Pratap Kumar	DGM (CS)	B.Tech.(Civil)	2453856	27	19.12.1991	48	NHPC LTD
5	Promila Kapoor	Executive Secretary	M.A. (Political Science)	2411744	30	16.08.1991	57	NTPC LTD
6	R.K. Sharma	Chief Manager (Sub-stations)	B.Sc. Engg. (Elect.)	3114277	25	19.12.1991	60	NHPC LTD
7	A. P. N. Majumdar	Chief Manager (Engg.)	Dip. in Elect. Engg.	3472174	27	16.08.1991	60	NTPC LTD
8	S. J. Bhujade	DGM (Sub-Stations)	B.E. (Mech.)	2815227	27	16.08.1991	47	NTPC LTD
9	T.R. Badge	Sr.Assistant(Gr-I)	-	4075862	29	19.11.1991	60	NHPC LTD
10	C.Mitra	AGM (Telecom)	B.E. (Elect.)	5376642	29	01.04.1999	54	Merz & Mclellan
11	A.K. Agarwal	Chief Manager (TL)	B.E. (Civil)	2706556	29	14.11.1991	52	NEEPCO LTD
12	Sukumar Sardar	Chief Manager (Grid Mgmt.)	B.E. (Mech.)	2665202	21	01.01.1995	45	CEA
Employed for part of the year								
13	D. Punniah	Chief Manager (Sub-stations)	B.E. (Elect.)	3355136	36	01.12.1992	60	NLC LTD
14	K. Potha Raju	Chief Manager (F&A)	B.Com,SAS	3649050	42	16.08.1991	60	NTPC LTD
15	K.Rama Krishna	Chief Manager (Vigilance)	B.Sc.	2677960	39	06.04.1994	60	MHA(IB)
16	V.Ramaiah	AGM (Engg.)	M.Tech. (Structural Engg.)	2675847	38	16.08.1991	60	NTPC LTD
17	K.R.K Rao	Chief Manager (Civil)	Dip. in Civil Engg.	4094790	36	19.11.1991	60	NHPC LTD
18	M. S. Sriram	DGM (F&A)	CA	573442	25	27.03.1991	47	NHPC LTD
19	R. Ranjan	Chief Manager (DMS)	B.Sc. Engg. (Elect.)	553106	23	19.11.1991	49	NHPC LTD
20	A.K.Sharma	DGM (QA&I)	B.E.(Elect.)	869872	25	16.08.1991	48	NTPC LTD
21	B. K. Dash	AGM (Engg.)	AMIE (Elect.)	1808761	32	16.08.1991	60	NTPC LTD
22	Ravi Arya	AGM (BDD)	B.E.(Elect.)	1798580	28	16.08.1991	51	NTPC LTD
23	R. P. Sasmal	ED (Projects)	B.Sc. Engg. (Electronics & Communication)	1398880	29	16.10.1993	50	NTPC LTD
24	B. L. Chopra	DGM (DMS)	B.E.(Elect.)	2488670	35	16.08.1991	60	NTPC LTD
25	D. D. Dhayaseelan	AGM (Finance)	CA	2027054	33	19.12.1991	50	NHPC LTD
26	Vikas Saxena	GM(Engg.)	B.Tech.(Elect.)	1603742	30	16.08.1991	51	NTPC LTD
27	Prem Lal	Security Guard	VIII Standard	747964	33	19.11.1991	60	NHPC LTD
28	Ram Lubhaya	Chief Manager (C&M)	Dip. in Elect. Engg.	1714827	29	19.11.1991	60	NHPC LTD
29	Tilak Raj Sharma	JE (Grade-I)	Matric	1064395	34	19.12.1991	60	NHPC LTD
30	K. C. Sharma	Dy. Manager (Sub-station)	Dip. in Elect. Engg.	1762363	33	19.11.1991	60	NHPC LTD
31	B. K. Jana	Chief Manager (Engg.)	BE (Civil) M. Tech	1151997	27	16.08.1991	49	Simplex Concrete
32	M. L. Bhambra	Dy.Manager (TL)	Dip. in Elect. Engg.	2033064	31	19.11.1991	60	NHPC 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) None of the Employees listed above is related to any of the Directors of the Company.
- 3) Remuneration mentioned above is inclusive of retirement/ separation benefits paid during the year and is not indicative of any regular remuneration structure of employees of the Company.

For and on behalf of the Board of Directors



(S.K. Chaturvedi)
Chairman & Managing Director

Place : New Delhi
Date : 29th July, 2009



Annexure - III to the Directors' Report

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1999 READ WITH SECTION 217(I)(E) OF THE COMPANIES ACT, 1956.**A. CONSERVATION OF ENERGY****(a) Energy conservation measures taken and on hand:**

It has been the endeavour of POWERGRID to make all out efforts for conservation of energy in all its projects - right from the planning stage, to the execution stage and throughout the O&M period. Before finalizing the transmission schemes, various alternatives/ technologies for power transfer are examined and one of the major criteria for selection of transmission system/ technology is lower losses. In fact, POWERGRID has adopted new technologies like 765kV AC, ± 500 kV HVDC, ± 800 kV HVDC and 1200kV AC in its transmission systems for power transfer across various regions which result in lower losses in the system.

At design stage of the transmission system, optimization of various parameters is done so that losses in the transmission system are optimized. The conductors are selected after detailed optimization studies which consider reduction of line losses as one of the primary criteria. The bus bar materials and the clamps and connectors are chosen meeting stringent international requirements so that losses are optimised. During evaluation of transformer & shunt reactor packages, equipment with minimum losses is given weightage. Further, in case of transmission hardware, the material with lower losses is specified. Parameters and types of various other equipments are also chosen in a manner that the losses are optimized. Thus, energy conservation measures are taken by POWERGRID at every step so as to develop an efficient and low-loss transmission network.

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

As stated above, POWERGRID undertakes energy conservation measures by means of reduction of losses in its transmission schemes right from planning to execution stage.

B. RESEARCH AND DEVELOPMENT

I & 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. Also, realizing the need for conservation of Right-of-Way and future requirement of development of high capacity transmission system to meet the future power requirement, POWERGRID is actively pursuing seamless integration of new and efficient technologies in Indian power Grid to create environment-friendly transmission system. POWERGRID has been according special emphasis on adoption of new technologies available around the globe for improving the quality of power supply, reduction of losses, optimum utilization of the available transmission assets, conservation of environment and optimizing upon the cost of delivered power. The company is working in collaboration with International/National research institutions, academic institutions and manufacturers, and is thus enhancing its in-house capabilities for design and engineering of state-of-the-art transmission systems.

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

Completed Projects:

1. Enhancement of power transfer capacity of existing transmission lines through implementation of series compensation on 1 no. transmission corridors of 400kV lines.
2. Completed in-house design of 15 no. towers for transmission lines which included 800 kV HVDC towers with Y string (1 No.) and 1200kV AC tower (1 No.) and tested successfully 8 nos of towers.
3. Completed in-house design of approx. 500 nos. tower foundations for transmission lines upto 765kV including special foundations.
4. Indigenous development and type testing of extra high strength 320KN & 420 KN insulators for 400kV/ 765 kV/1200 kV AC transmission lines.

5. Performance evaluation of Polymer composite insulators which were in service for more than 6 years in POWERGRID lines.
6. Indigenous development and type testing of extra high strength 420KN HVDC insulators for ± 800 kV HVDC transmission lines.
7. Indigenous development and type testing of Polymer long Rod 120KN & 160KN AC insulators for 400kV AC transmission lines in heavily polluted areas (Two manufacturers).
8. Corona cage studies, Air Gap Insulation studies for 1200 kV transmission system.
9. Interference measurements (Electric field , Magnetic field, Audible Noise & RIV) for 765kV AC Sipat-Seoni transmission line.
10. Study of EMI effect on Co-axial and Control Cables in association with CPRI & LRDE, Bangalore.
11. Online condition monitoring systems for transformers at Mandola substation and Rihand HVDC station were installed to facilitate real time data to detect faults at incipient stage and provide alarms in advance in case of fault in the transformers. The system will also provide the dynamic over load capacity of the transformers.
12. Uprating of short circuit current capacity of existing equipments e.g. circuit breakers etc. from 40 kA to 50 kA.

Ongoing Projects

1. For development of 1200kV UHVAC Super grid, 1200 kV UHVAC test station is being established at POWERGRID substation at Bina, M.P. with joint efforts of POWERGRID, Indian Equipment Manufacturers and CPRI. This will facilitate the Indian Equipment Manufacturers to test their 1200 kV class equipment being developed by them. Successful testing will lead to indigenization of 1200 kV class equipment resulting in reduction in project costs.
2. High Capacity, ± 800 kV, 6000 MW HVDC multi terminal system for long distance power transfer over 2000 kms. from NER/ER to NR.
3. 2500 MW, ± 500 kV Balia – Bhiwadi HVDC Bipole with Lapwing conductor under implementation.
4. Re-conductoring of existing 400kV D/c Purnea-Siliguri line with high temperature endurance conductor to enhance the capacity of the transmission corridor by about two times.
5. Development of in-house foundation and tower designs for use in on-going transmission line projects.
6. Implementation of High Surge Impedance Loading (HSIL) line.
7. Line Design & Optimization studies including experimental tests for 1200kV AC transmission lines.
8. For efficient Grid management, continuous upgradation of the load dispatch centres through technologies like Intelligent Grid comprising Wide area monitoring, adoptive islanding, Voltage Security Assessment, Dynamic Security Assessment.
9. Several existing Substations in different Regions are being augmented for remote operation from nearby Substations so as to reduce the operation cost.
10. Development of GIS in association with Indian manufacturers.
11. Residual Life Assessment testing of substation equipment at very old POWERGRID 400kV substations at Hyderabad and Bangalore in association with CPRI / CESI.
12. Measurement of synchro phasors for wide area monitoring and protection of National Grid.
13. Indigenous Development of SF₆ gas filled Current Transformer with BHEL.
14. Implementation of Controlled Switching schemes of circuit breakers for 400kV transmission lines.
15. Development of Optical Instrument Transformers with CPRI/ERDA.
16. Engineering Data Integration on GIS Platform.

Technology Absorption :

1. For route selection, length optimisation and estimation of BOQ for transmission lines, POWERGRID is employing modern Survey techniques.



2. Substation Automation with IEC 61850 protocol is being adopted for all new Substations of POWERGRID. This would result in savings in operational cost and increased operational and maintenance efficiency.
3. As a step towards National grid, 765kV AC and ± 500 kV HVDC technology has been implemented in our country. Now, ± 800 kV HVDC and 1200kV UHVAC technologies are being planned for bulk power transfer across the country.
4. For maximum utilization of existing infrastructure, application of Series compensation including TCSC has been adopted on EHV lines.
5. In special areas, compact towers like pole towers, delta configuration towers and narrow based towers which reduce the space occupied by the tower base, are being used. Also tall towers and multi-circuit towers are being used for conservation of scarce right-of-way.
6. Shallow and deep resistivity measurements using magneto telluric techniques for locating ground electrode stations for HVDC system has been adopted.
7. Special insulators like polymer composite insulators have been adopted in transmission lines in polluted areas.
8. High temperature conductors like INVAR have been adopted for increasing the transfer capacity of transmission corridors.
9. GIS technology has been adopted in substations where severe space constraints exist.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings	(Rupees in crore)
i. Interest	0.29
ii. Consultancy Fee	0.72
	1.01
Foreign Exchange outgo	
(i) Capital goods and Space Parts	1127.18
(ii) Professional and Consultancy Fee	3.14
(iii) Interest	341.92
(iv) Others	19.16
	1491.40

For and on behalf of the Board of Directors

(S.K. Chaturvedi)

Chairman & Managing Director

Place : New Delhi

Date : 29th July, 2009

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, 2009

The preparation of financial statements of Power Grid Corporation of India Limited, New Delhi, for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 16 June 2009.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Power Grid Corporation of India Limited, New Delhi, for the year ended 31 March 2009. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller & Auditor General of India

Sd/-
(Ghazala Meenai)
Principle Director of Commercial Audit
& Ex-officio Member, Audit Board-III,
New Delhi

Place : New Delhi
Date : 30th June, 2009



REPORT ON CORPORATE GOVERNANCE

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

I. 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.

The Corporate Governance of POWERGRID is geared by the following:

- (i) 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.
- (ii) 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.

POWERGRID has been conferred with the status of "NAVRATNA PSE" w.e.f. 1st May, 2008 by the Government of India. POWERGRID bagged such a prestigious status of joining the club of NAVRATNA Companies.

The NAVRATNA status has provided the Company greatest flexibility and autonomy in terms of making investments and operational decisions. Now the Board of Directors of POWERGRID may incur capital expenditure on purchase of new items or for replacement without any monetary ceiling. The ceiling on equity investment to establish joint ventures and wholly owned subsidiaries in India or abroad shall be 15% of the networth of the Company in one project limited to Rs.1000 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the Company.

Presently, the Board of Directors comprises of Chairman and Managing Director, Functional Directors, Govt. Nominee Directors and Non Official Part Time Directors. 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 for Bonds, Shareholders'/Investors' Grievance Committee, Committee on Award of Contracts, etc. to have better and more focused attention. Advisory Boards of eminent persons are in place for Environment and Social Policy and Procedures, R&D and for Telecom to advise POWERGRID on critical issues/consensus building in these areas.

Management Discussion and Analysis is Annexed to Directors' Report.

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

2. Board of Directors:

2.1 Size of the Board

POWERGRID is a Government Company within the meaning of Section 617 of the Companies Act, 1956 and the President of India presently holds 86.36% of the total paid-up share capital. As per Articles of Association, the power to appoint Directors rests with the President of India.

In terms of Articles of Association of the Company, the strength of our Board shall not be less than four Directors or more than eighteen Directors. These Directors may be either whole-time Directors or part-time Directors.

2.2 Composition of the Board

As on 31st March, 2009, the Board comprised twelve Directors out of which four were whole time Directors including the Chairman & Managing Director, one Government nominee and seven independent Directors.

The equity shares of the Company were listed on 5th October, 2007 with NSE and BSE. Clause 49 I (A) of the Listing Agreements with Stock Exchanges stipulates half of the Board members to be Independent Directors. For a short period from 1st April, 2008 to 24th April, 2008 the requirement of independent Directors as per this clause was 5, whereas the actual were 4 independent Directors.

On the appointment of two independent directors viz. Shri S. C. Tripathi and Shri Ashok Khanna on the Board of POWERGRID w.e.f. 25th April, 2008, the composition of POWERGRID's Board has been in compliance with Clause 49 I (A) of the Listing Agreement. Thereafter, Smt. Sarita Prasad joined the Board w.e.f. 04.08.08 in pursuance of MoP Order dt. 23.07.08.

2.3 Age Limit and Tenure of Directors

The age limit of the Chairman & Managing Director and other whole-time Directors is 60 years.

The Chairman & Managing Director and other whole-time Directors are appointed for a period of five years from the date of taking over of charge or till the date of superannuation of the incumbent or till further orders from the Government of India, whichever event occurs earlier.

Government Nominee Directors representing Ministry of Power, Government of India retire from the Board on ceasing to be officials of the Ministry of Power.

Independent Directors have been appointed by the Government of India usually for tenure of three years.

The tenure of Directors as on 31st March, 2009 was as follows:

Details of Directors		Name	Date of Joining on the Board	Date of superannuation/ completion of Tenure
Category (Functional/ Official/ Non-official)	Designation			
1. Whole Time Directors	Chairman & Managing Director	Shri S. K. Chaturvedi	01.08.2008	31.08.2011 - date of superannuation.
	Director(Projects)	Shri S. Majumdar	27.09.2005	31.08.2009 - date of superannuation.
	Director (Finance)	Shri J. Sridharan	21.12.2005	For a period of 5 years from the date of taking over charge. (Date of superannuation-30.04.2011)
	Director (Personnel)	Shri V.M. Kaul	16.03.2009	31.03.2012 - date of superannuation
2. Govt. Nominees Part-time Directors	JS (Trans.) Ministry of Power	Shri I.C.P. Keshari	06.03.2009	Till the President desires*ceased to be Director w.e.f. 22.05.2009
3. Non-official Part-time Directors	Non-official Part-time Director (Independent)	Shri F.A. Vandrevala	10.07.2007	For a period of three years with effect from the date of appointment or until further orders, which ever event occurs.
		Shri Anil K. Agarwal	10.07.2007	
		Dr. A.S. Narag	10.07.2007	
		Dr. P.K. Shetty	10.07.2007	
		Shri S.C. Tripathi	25.04.2008	
		Shri Ashok Khanna	25.04.2008	
Smt. Sarita Prasad	04.08.2008			

* Shri Sudhir Kumar, Joint Secy., Ministry of Power joined POWERGRID as Govt. nominee Director w.e.f. 22.05.2009 in place of Shri I.C.P. Keshari, Joint Secy., Ministry of Power and Shri Rakesh Jain, JS&FA, Ministry of Power joined POWERGRID as Govt. nominee Director w.e.f. 09.06.2009.

**Shri R.N. Nayak joined as Director(Operations) w.e.f. 16.05.2009.

2.4 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 officials are 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, 2009, fourteen Board meetings were held on 9th April, 6th May, 18th June, 12th July, 30th July, 6th August, 17th September, 31st October and 18th November, of the year 2008, and 21st January,



28th January, 11th February, 24th February and 20th March, of the year 2009. The maximum interval between any two meetings during this period was 63 days. Details of number of Board meetings attended by Directors, attendance at last AGM, number of other directorship / committee membership (viz. Audit Committee and Shareholders' Grievance Committee as per Clause 49 I (C) – Explanation – 2) held by them during the year 2008-09 are tabulated below:

Name of the Director	Meeting held during respective tenure of Directors	No. of Board Meetings attended	Attendance at the last AGM (held on 18.09.08)	No. of Other Directorship held on 31.03.09	No. of Other Committee Membership held on 31.03.09	
					Chairman	Member
Whole Time Directors						
Shri S. K. Chaturvedi Chairman & Managing Director*	9	8	Yes	8	NIL	NIL
Shri S. Majumdar, Chairman & Managing Director** & Director (Projects)	14	14	Yes	4	NIL	NIL
Shri J. Sridharan, Director (Finance)	14	14	Yes	4	NIL	1
Shri V. M. Kaul, [^] Director (Personnel)	1	1	N.A. [^]	1	NIL	NIL
Dr. R. P. Singh, Chairman & Managing Director (Ceased to be the CMD on 30.05.08) ¹	2	2	N.A. ¹	N.A. ¹	N.A. ¹	N.A. ¹
Non-executive Directors (Government Nominees)						
Shri Rajesh Verma, JS&FA, Ministry of Power (Ceased to be Director w.e.f. 26.03.09) ²	14	12	Yes	N.A. ²	N.A. ²	N.A. ²
Shri G.B. Pradhan, Addl. Secy., Ministry of Power (Ceased to be Director w.e.f. 06.03.09). ³	13	10	Yes	N.A. ³	N.A. ³	N.A. ³
Shri I. C. P. Keshari, Jt.. Secy., Ministry of Power (Joined the Board on 06.03.09 Ceased to be Director w.e.f. 22.05.09) ⁴	1	1	N.A. ⁴	N.A. ⁴	N.A. ⁴	N.A. ⁴
Independent Directors						
Dr. P. K. Shetty	14	12	Yes	NIL	NIL	NIL
Dr. A. S. Narag	14	13	Yes	NIL	NIL	2
Shri Anil K. Agarwal	14	10	Yes	6	1	2
Shri F. A. Vandrevala	14	13	No [#]	2	1	2
Shri S. C. Tripathi ^{^^}	13	11	Yes	11	NIL	NIL
Shri Ashok Khanna ^{^^}	13	8	Yes	5	NIL	1
Smt. Sarita Prasad ^{^^}	9	8	Yes	NIL	NIL	NIL

* Shri S. K. Chaturvedi had joined as Chairman and Managing Director of POWERGRID w.e.f. 01.08.2008.

** Shri S. Majumdar assumed the Additional charge of CMD w.e.f. 30.05.2008 and handed over the additional charge of CMD on 01.08.08.

[^]Shri V.M. Kaul has been appointed as Director (Personnel) w.e.f. 16.03.2009.

[#] Shri F.A. Vandrevala, Chairman of the Audit Committee could not attend the AGM due to sudden ill health. However, Shri Anil K. Agarwal, Chairman of the Shareholders' / Investors' Grievance Committee, who is also a member of the Audit Committee was present to answer the queries of the shareholders.

^{^^}Shri S. C. Tripathi and Shri Ashok Khanna were appointed as Non-official Part-time Directors w.e.f. 25.04.2008 vide

MOP Order dt 25.04.2008. Further, Smt. Sarita Prasad had joined POWERGRID's Board as Non-official Part-time Director w.e.f 04.08.08 vide MOP Order dt. 23.07.08.

Shri R. N. Nayak has been appointed as Director (Operations) w.e.f. 16.05.2009. Further, Shri Sudhir Kumar, Jt. Secy., MOP and Shri Rakesh Jain, JS&FA, MOP have joined POWERGRID's Board as Govt. Nominee Directors w.e.f. 22.05.09 and 09.06.09, respectively.

None of the Directors of the Company are in any way related with each other.

2.5 Information to be placed before the Board of Directors, inter alia, include:

The Board has complete access to any information with the Company. The information regularly supplied to the Board includes:

1. Annual operating plans and budgets and any updates.
2. Annual Accounts, Directors' Report, etc.
3. Quarterly results of the company.
4. Minutes of meetings of audit committee and other committees of the Board.
5. Major Investments, formation of Subsidiaries and Joint Ventures, Strategic Alliances, etc.
6. Award of large Contracts.
7. Disclosure of Interest by Directors about directorship and committee positions occupied by them in other Companies.
8. Monthly Report on Commercial Status of the Company.
9. Report on the status of various ongoing projects/Scheme and Budget Utilization.
10. Report on the O&M Review.
11. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, etc.
12. Non-compliance of any regulatory, statutory or listing requirements and shareholders' service such as non-payment of dividend, delay in share transfer etc.
13. Short-Term investment of surplus funds.
14. Other materially important information.

3. Committees of the Board of Directors

The Board has constituted the following Committees:

- i) Audit Committee
- ii) Shareholders'/Investors' Grievance Committee
- iii) Committee for Transfer/Split/Rematerialization/Dematerialization, etc. of Shares
- iv) Committee for Award of Contracts relating to RE, APDRP and other Deposit Works
- v) Committee on Feasibility Reports and Revised Cost Estimates
- vi) Committee for Bonds,
- vii) Committee on Award of Contracts

3.1 Audit Committee:

POWERGRID has constituted an Audit Committee on January 27, 1999. As on 31st March, 2009, the Audit Committee comprised the following Directors:

- (i) Shri F.A. Vandrevala, Non-official Part-time Director – Member & Chairman
- (ii) Shri Anil K. Agarwal, Non-official Part-time Director – Member
- (iii) Dr. A.S. Narag, Non-official Part-time Director – Member

The Company Secretary is the Secretary of the Committee.

The constitution, quorum, scope, etc. of the Audit Committee is in line with the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2007, the Companies Act, 1956 and provisions of the Listing Agreement.

Meetings of Audit Committee

The Audit Committee meets at least four times in a year and not more than four months have elapsed between two meetings in that year. The quorum shall be either two members or one third of the members of the Audit Committee whichever is greater, but there should be a minimum of two independent members present.

Powers of Audit Committee

The Audit Committee have powers, which include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To consider other matters as referred by the Board.



Role of Audit Committee

The role of the Audit Committee includes the following:

1. 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.
2. Fixation of audit fees to be paid to statutory auditors appointed by Comptroller & Auditor General under the Companies Act, 1956 and approval for payment with respect to any other services rendered by the statutory auditors.
3. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
4. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
5. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
6. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
7. Discussion with internal auditors any significant findings and follow up there on.
8. 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.
9. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
10. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
11. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Review of Information by Audit Committee

The Audit Committee generally reviews the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor.

Composition of Audit Committee during the F.Y. 2008-09:

The composition of Audit Committee during the financial year was as under:

Shri F.A. Vandrevale, Director	Member & Chairman	Non-official Part-time Director
Shri Anil K. Agarwal, Director	Member	Non-official Part-time Director
Shri Rajesh Verma, JS&FA, MOP	Member	Non-Executive Director
Dr. A.S. Narag, Director*	Member	Non-official Part-time Director

*Dr. A.S. Narag had been appointed as a member of the Audit Committee w.e.f. 18.11.08. Also, Dr. Narag was co-opted as a member of Audit Committee for the meeting held on 17.09.08.

Attendance:

During the financial year ended, 31st March, 2009, six meetings of the Audit Committee were held on 18th June, 30th July, 6th August, 17th September and 31st October of the year 2008 and 28th January of the year 2009.

Attendance at Audit Committee Meetings during the Financial Year 2008-09:

Name	Audit Committee Meeting held during the tenure	
	Held	Attended
Shri F. A. Vandrevale, Director	6	5
Shri Anil K. Agarwal, Director	6	4
Shri Rajesh Verma, JS&FA, MOP	6	5
Dr. A.S. Narag, Director	2	2

3.2 Shareholders'/ Investors' Grievance Committee.

The Company has constituted Shareholders'/Investors' Grievance Committee in line with the provisions of the Listing Agreement.

Scope of the Committee

The scope of the Committee shall be to specifically look into the redressal of shareholders' and investors' grievances/ complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends, etc.

Composition

As on 31st March, 2009 the Committee comprised the following Directors:

- i) Shri Anil K. Agarwal, Non-official Part-time Director – Chairman
- ii) Dr. A. S. Narag, Non-official Part-time Director – Member
- iii) Shri I.C.P. Keshari, Jt. Secy., MOP – Member
- iv) Shri J. Sridharan, Director (Finance) – Member
- v) Smt. Sarita Prasad, Non-official Part-time Director- Member.

The Company Secretary is the Secretary of the Committee.

Two meetings of the Shareholders'/Investors' Grievance Committee were held during the financial year 2008-09 on 23rd July, 2008 and 21st January, 2009 respectively.

Name and Designation of Compliance Officer

Ms. Divya Tandon, Company Secretary is the compliance officer in terms of Clause 47 of the Listing Agreement.

Investor Grievances

During the financial year ending 31st March, 2009, the Company has attended its investor grievances expeditiously except for the cases constrained by disputes or legal impediment. The details of the complaints received during the year are as under:

Sl. No.	Subject	Opening Balance	Received	Attended	Pending
1	Non-Receipt of Refund orders	38	457	495	0
2	Non-Receipt of Dividend Warrants	0	401	400	1
3	Received through SEBI	55	292	347	0
4	Received through Stock Exchanges	0	35	35	0
5	Advocate Notices	31	35	66	0
6	Consumer Forum/Court Cases	0	20	20	0
	Total	124	1240	1363	1

Investor complaint pending as on March 31, 2009 has been subsequently attended.

Shares Lying in Share Escrow Account

In pursuance of the new Clause 5A to the Listing Agreement, dated 24th April, 2009, it is disclosed that 58643 shares out of POWERGRID's IPO against 305 investors were lying in the Escrow Account as on 15.07.2009. These shares are lying in the demat form in the Demat Suspense Account with the Registrars i.e. M/s Karvy Computershare Pvt. Ltd. and the



benefits accrued on them are being properly accounted for. As and when the satisfactory details from the rightful owner are obtained, the unclaimed shares are being credited to the Demat A/c of the rightful owner. Provisions of the Clause 5A are being examined for further implementation.

3.3 Committee for Transfer/Split/Rematerialization/Dematerialization, etc. of Shares

The Company has constituted a Committee of Directors for Transfer/ Split/ Rematerialization/ Dematerialization, etc. and other related issues. As on 31.03.2009, the Committee comprised the following Directors as members:

- i) Director (Finance)
- ii) Director (Projects) and
- iii) Director (Personnel)

As on March 31, 2009 no share transfer request was pending. Share Transfers have been affected during the year well within the time prescribed by the Stock Exchanges.

3.4 Committee for Award of Contracts relating to RE, APDRP and other Deposit Works

This Committee of Directors was constituted to conduct RGGVY Programme of Govt. of India. The power of this committee is to award the contracts relating to RE, APDRP and other Deposit Works for more than Rs. 20 Cr. and up to Rs.75 Cr. As on March 31, 2009 the Committee comprised the following members:

- i) CMD – Chairman
- ii) Director (Finance) – Member
- iii) Director (Projects) – Member
- iv) Director (Personnel) – Member and
- v) Director (Operations) – Member*

* Shri R.N. Nayak joined as Director (Operations) w.e.f. 16.05.09 and got co-opted in the Committee.

3.5 Committee on Feasibility Reports and Revised Cost Estimates

The Board has constituted this Committee of Directors to consider and examine the Feasibility Report and various Revised Cost Estimate proposals as may be required for seeking investment sanction from the Board. As on March 31, 2009, the Committee comprised the following members:

- i) Director (Projects) – Chairman
- ii) Director (Finance) – Member
- iii) Director (Operations) – Member*

*Shri R.N. Nayak joined as Director (Operations) w.e.f. 16.05.09 and got co-opted in the Committee.

3.6 Committee for Bonds

The Board of Directors of the Company has constituted a Committee of Directors to consider and approve allotment, transfer, transmission, splitting and consolidation of POWERGRID Bonds/Allotment Letters and other matters relating to the Bonds including appointment of Merchant Bankers, Registrar to the Issue, etc. As on March 31, 2009, the Committee for Bonds comprised the following members:

- i) CMD – Chairman
- ii) Director (Finance) – Member
- iii) Director (Operations) – Member*
- iv) Director (Projects) – Member

* Shri R.N. Nayak joined as Director (Operations) w.e.f. 16.05.09 and got co-opted in the Committee.

3.7 Committee on Award of Contracts

This Committee of Directors has been constituted for approval of award of contracts of value more than Rs.20 Cr. but not exceeding Rs.75 Cr. As on March 31, 2009, the following Directors were members of the Committee:

- i) Shri S.K.Chaturvedi, CMD – Chairman
- ii) Shri S. Majumdar, Director (Projects) – Member
- iii) Shri J. Sridharan, Director (Finance) – Member
- iv) Shri Ashok Khanna, Non-official Part-time Director - Member.
- v) Shri I.C.P. Keshari, Joint Secretary, MOP – Member*

* Shri I.C.P. Keshari ceased to be the Member of the Committee w.e.f. 22.05.2009; Shri Sudhir Kumar, JS (Trans) and Shri R.N. Nayak, Director (Operations) were appointed on this Committee w.e.f. 16.06.2009.

Remuneration of Directors

Our Company, being a Government Company, the appointment, tenure and remuneration of Directors is decided by the President of India. Remuneration paid to Chairman & Managing Director and Functional Directors during the Year 2008-09 was as per terms and conditions of their appointment. Independent Directors are paid only sitting fees at a rate fixed by the Board within the ceiling fixed under the Companies Act, 1956 and in accordance with the Government Guidelines for attending the Board Meeting as well as Committee Meetings.

The remuneration paid to the Whole time Directors during the year 2008-09 is as under:

S No.	Directors	Designation	Remuneration (Rs. in Lacs)
1.	Shri S.K. Chaturvedi*	Chairman & Managing Director	8.17
2.	Shri S. Majumdar	Director (Projects)	20.22
3.	Shri J. Sridharan	Director (Finance)	14.82
4.	Shri V.M. Kaul**	Director (Personnel)	0.64
5.	Dr. R. P. Singh***	Former Chairman & Managing Director	1.59

*From 01.08.08 to 31.03.09

**From 16.03.09 to 31.03.09

*** From 01.04.08 to 29.05.08

The Government nominee Directors on the POWERGRID's Board do not draw any remuneration/ sitting fee for Board/ Committee meetings from the Company. The Independent Directors were being paid sitting fee of Rs. 10,000/- for attending Board/Committee Meetings and the same was increased from Rs. 10,000/- to Rs. 15,000/- w.e.f. 21.01.09.

Details of payment made towards sitting fee to Independent Directors for the Meetings attended during the year 2008-09 are given below:

(figs. in lacs.)

Name of Non-official Part-time Directors	Sitting Fees*		Total (Rs.)
	Board Meeting (Rs.)	Committee Meeting (Rs.)	
Dr. P. K. Shetty	1.40	-	1.40
Dr. A. S. Narag	1.55	1.00	2.55
Shri Anil K. Agarwal	1.20	.65	1.85
Shri F.A. Vandrevala	1.55	1.05	2.60
Shri S.C. Tripathi	1.35	-	1.35
Shri Ashok Khanna	1.05	.60	1.65
Smt. Sarita Prasad	1.05	.15	1.20

*Gross Amount (before TDS)

As on 31.03.2009 the Directors' Shareholding was as under:

Name of Directors	No. of Equity Shares Held	
	As a Nominee of the President of India	Individual Capacity
Shri S.K.Chaturvedi	100	-
Shri J. Sridharan	100	5000
Shri S. Majumdar	100	10,000
Shri I.C.P. Keshari	100	-
Shri Rajesh Verma	100	5602
Shri V.M. Kaul		7213
Dr. P. K. Shetty		1568
Dr. A. S. Narag		3136
Shri Anil K. Agarwal		125000
Shri F.A. Vandrevala		15051
Shri S.C. Tripathi		-
Shri Ashok Khanna		-
Smt. Sarita Prasad		-



4. General Body Meetings:

Date, time and location where the last three Annual General Meetings were held are as under:

Year	Date	Time	Venue	Special Resolution
2005-2006	3 rd August, 2006	3.00p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.	NIL
2006-2007	14 th August, 2007	1.00p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.	NIL
2007-2008	18 th September, 2008	10.00 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110010	NIL

Resolutions passed through Postal Ballot

1. Company has passed an Ordinary Resolution to enhance the borrowing limits of its Board of Directors from Rs.25,000 Crore to Rs.50,000 Crore through postal ballot. Notice dated 12th March, 2008, was served to all shareholders for voting through postal ballot as per the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 and the said resolution was approved by the shareholders on 29th April, 2008. Ms. Savita Jyoti, Practicing Company Secretary, was appointed as scrutinizer for conduct of Postal Ballot. Out of total Postal ballot received towards 3665229764 votes, 215789 votes were invalid and 3657238002 votes were cast in favour of the resolution representing 99.79% of total valid votes cast.
2. Postal Ballot process is underway for passing Special Resolution to bring about various amendments in the Memorandum and Articles of Association of POWERGRID pursuant to the grant of Navratna Status and an Ordinary Resolution for transfer of ownership, physical possession and control of 400 kV single circuit tie line (I no.) between Neyveli TS –II Expansion and Neyveli TS –II switchyards from POWERGRID to Neyveli Lignite Corporation Ltd. (NLC). Notice dated 30th June, 2009, has been served to all shareholders for voting through postal ballot as per the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001. Ms. Savita Jyoti, Practicing Company Secretary has been appointed as scrutinizer for conduct of Postal Ballot.

5. Disclosures

- (I) The transactions with related parties contain (i) payment to Companies under Joint Venture Agreement and on account of contracts for works/services, (ii) remuneration to key management personnel and (iii) equity contribution to subsidiaries, which are not in the nature of potential conflicts of interest of the Company at large. Details of related party transactions are included in the Notes to the Accounts as per Accounting Standard – 18 issued by the Institute of Chartered Accountants of India and notified by the Central Government in consultation with National Advisory Committee on Accounting Standards.
- (II) The CEO & CFO of the Company have certified to the Board, the specified matters, as required under Clause 49V of the Listing Agreement.
- (III) POWERGRID do not have any material non listed Indian Subsidiary Company.
- (IV) POWERGRID is in the process of establishing Enterprise Risk Management Framework and Internal Control Framework for CEO/CFO Certification and selection of Consulting Firm to provide consultancy for the said framework is underway.
- (V) There are no material individual transactions with related parties which are not in the normal course of business.
- (VI) There are no material individual transactions with related parties or others, which are not on an arm's length basis.
- (VII) The Company has complied with the requirements of the Listing Agreement with Stock Exchanges as well as Regulations and Guidelines prescribed by SEBI. There were no penalties or strictures imposed on the Company by any statutory authorities for non-compliance on any matter related to capital markets, during the year.
- (VIII) The Balance Sheet, Profit and Loss Account and Cash Flow Statement for the financial year 2008-09 have been prepared as per the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
- (IX) The Company has adopted all suggested items to be included in the Report of Corporate Governance. Information on adoption (and compliance) / Non-adoption of the non-mandatory requirements is at Annex-I.

6. Means of Communication

The Company communicates with its shareholders through its Annual Report, General Meeting, Newspapers and disclosure through web site.

Information and latest updates and announcements made by the Company can be accessed at Company's website: www.powergridindia.com including the following:

- 1 Quarterly /Half-Yearly /Annual Financial Results
- 1 Shareholding Pattern
- 1 Corporate disclosures made from time to time to Stock Exchanges

Quarterly Results

Major Newspapers	Date of Publication of Financial Results for the quarter ended			
	30.06.08	30.09.2008	31.12.2008	31.03.2009
Business Standard / Hindustan Times (English)	01.08.2008	03.11.2008	30.01.2009	17.06.2009
Rashtriya Sahara/ Hindustan (Hindi)	01.08.2008	03.11.2008	30.01.2009	18.06.2009

These Results are also displayed at Company's website www.powergridindia.com

7. Code of Conduct

The Board of Directors have laid down two separate Code of Conduct – one for Board Members and another for Senior Management Personnel in alignment with Company's Mission & Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. A copy of the Codes of Conduct is available at the website of the Company.

Declaration required under Clause 49 of the Listing Agreement

All the members of the Board and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended March 31st, 2009.

New Delhi
Dt. 04.05.2009

Sd/-
(S.K. Chaturvedi)
Chairman & Managing Director

8. Code of Insider Trading

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, POWERGRID Board has laid down "Code of Conduct for Prevention of Insider Trading" with the objective of preventing purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this code, Insiders (i.e. Designated Employees) are prevented to deal in the Company's shares during the closure of Trading Window. To deal in Securities beyond limits specified, permission of Compliance Officer is required. All Directors/Officers/Designated Employees are also required to disclose related information periodically as defined in the Code, which in turn is being forwarded to Stock Exchanges, whenever necessary. Company Secretary has been designated as Compliance Officer for this Code.

9. Shareholders' Information

i) Annual General Meeting

Date : 9th September, 2009
Time : 10.00 a.m.
Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010.

ii) Financial Year

The Company's Financial Year is from 1st April to 31st March.

iii) Book Closure

The Register of Member and Share Transfer Books of the Company will remain closed from 25th August, 2009 to 9th September, 2009 (both days inclusive).

iv) Payment of Dividend

The Board of Directors of the Company has recommended payment of a final Dividend of 7% (Rs. 0.70 per share) for the financial year ended 31st March, 2009. In addition, an Interim Dividend of 5% (Rs. 0.50 per share) was paid on 16th February, 2009. (Dividend paid in the Previous Year was Rs. 505.08 Crore)



v) Dividend History

Year	Total Paid-up Capital as on 31 st March of the Year (Rs. in Crore)	Total Amount of Dividend Paid for the Financial Year (Rs. In Crore)	Date of AGM in which dividend was declared	Date of Payment of Final Dividend
2002-03	3035.25	100.00	29.09.2003	27.10.2003
2003-04	3035.25	125.00	28.09.2004	18.10.2004
2004-05	3165.25	184.00	16.09.2005	13.10.2005
2005-06	3584.63	302.68	03.08.2006	23.08.2006
2006-07	3787.41	368.82	14.08.2007	24.08.2007
2007-08	4208.84	505.08	18.09.2008	03.10.2008
2008-09	4208.84	210.46*	28.01.2009**	16.02.2009#

* Amount of Interim Dividend

** Date of Board Meeting

Date of Payment of Interim Dividend

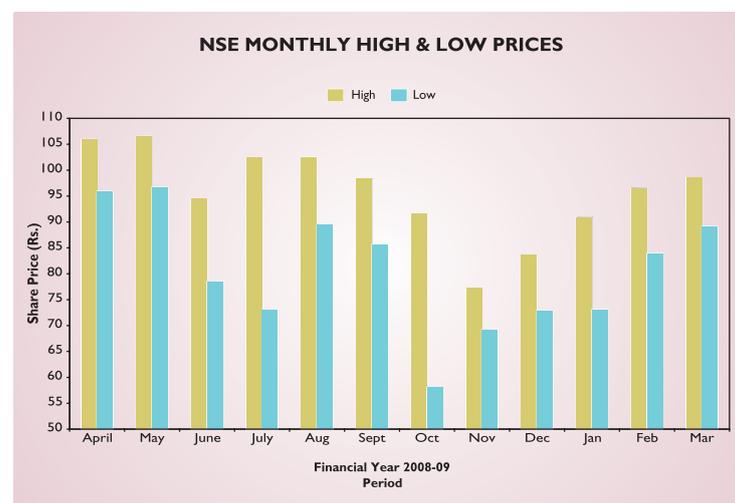
vi) Listing on Stock Exchange

POWERGRID equity shares are listed on the following Stock Exchanges:

National Stock Exchange of India Limited. Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex Bandra (E), Mumbai - 400 051.	Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001
Scrip Code : POWERGRID EQ	Scrip Code: 532898
Stock Code: ISIN – INE752E01010	

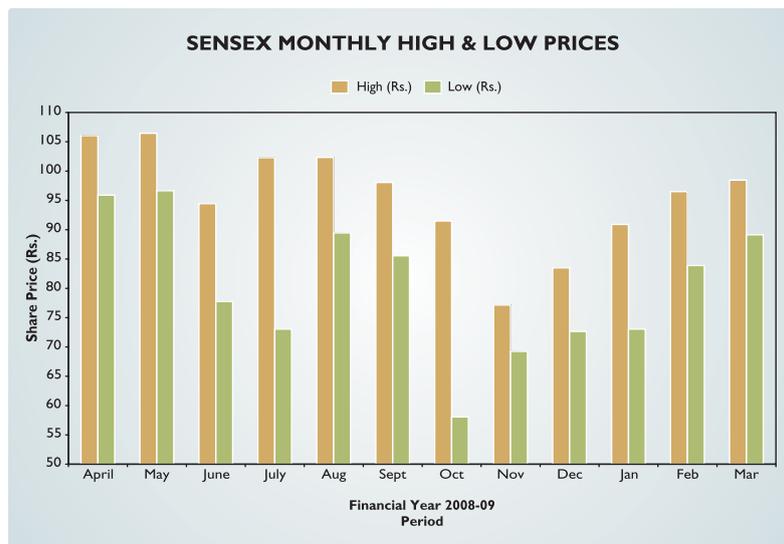
vii) Market Price Data - NSE

	High (Rs.)	Low (Rs.)	Closing (Rs)
April'08	105.90	95.90	105.55
May'08	106.50	96.65	98.60
June'08	94.40	78.50	78.50
July'08	102.40	72.95	94.75
August'08	102.50	89.40	93.10
September'08	98.30	85.65	85.80
October'08	91.50	58.00	69.85
November'08	77.15	69.20	74.05
December'08	83.55	72.80	83.15
January'09	90.90	73.05	88.15
February'09	96.50	83.90	96.50
March'09	98.45	89.15	95.65

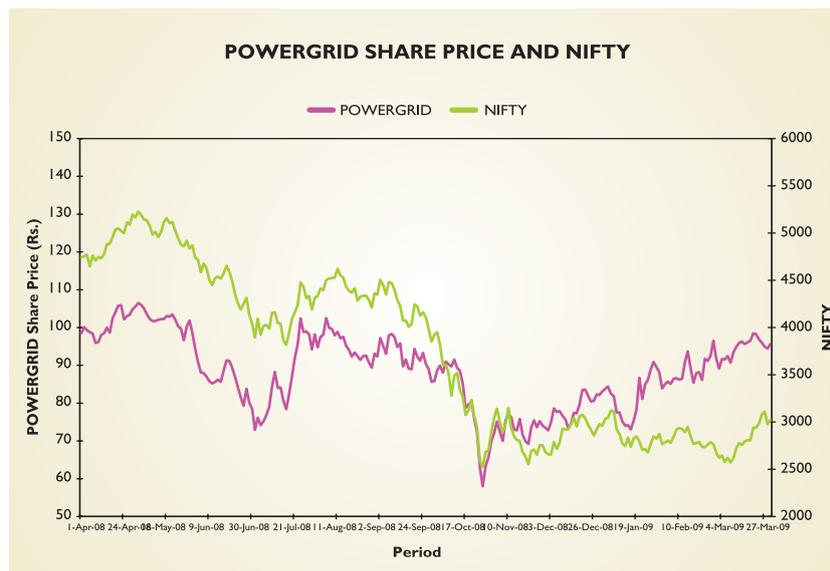


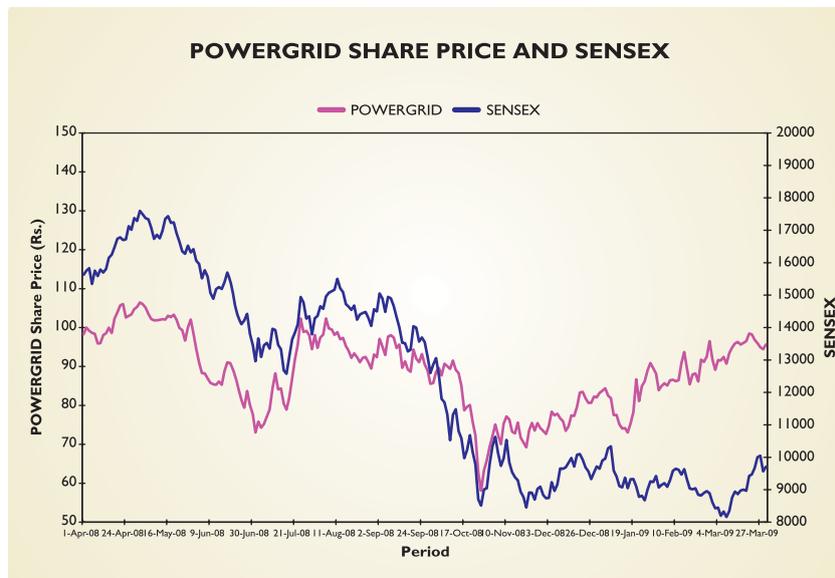
viii) Market Price Data - BSE

	High (Rs.)	Low (Rs.)	Closing (Rs)
April'08	106.05	95.90	105.30
May'08	106.45	96.65	98.50
June'08	94.45	77.75	77.75
July'08	102.30	73.05	94.75
August'08	102.35	89.45	93.10
September'08	98.05	85.55	85.75
October'08	91.50	58.05	69.35
November'08	77.15	69.25	74.15
December'08	83.50	72.65	83.20
January'09	90.90	73.05	88.15
February'09	96.50	83.90	96.50
March'09	98.45	89.15	95.65



ix) Performance in Comparison to Indices BSE Sensex, NSE NIFTY and POWERGRID





x) Registrar and Transfer Agents.

EQUITY SHARES

Karvy Computershare Pvt. Ltd.
Plot No.: 17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Ph: 040-2340815 to 824
Fax:- 040-23420814
E-mail: einward.ris@karvy.com

BONDS

MCS Limited,
F-65, Okhla Industrial Area,
Phase-I, New Delhi- 110 020.
Ph: 011-41406148/49/51
Telefax.: 011-41406148
E-mail : admin@mcsdel.com

xi) Share Transfer System

Entire share transfer activities under physical segment are being carried out by Karvy Computershare Private Limited. The share transfer system consists of activities like receipt of shares along with transfer deed from transferees, its verification, preparation of Memorandum of Transfer, etc. Share transfers are approved by Committee of the Board for Allotment and post allotment activities of POWERGRID's Securities.

Pursuant to Clause 47-C of the Listing Agreement with Stock Exchanges, certificate on half-yearly basis confirming due compliance of share transfer formalities by the Company from Practicing Company Secretary have been submitted to Stock Exchanges within stipulated time.

xii) Distribution of Shareholding

Shares held by different categories of shareholders and according to the size of the holdings as on 31st March, 2009 are given below:

According to Size

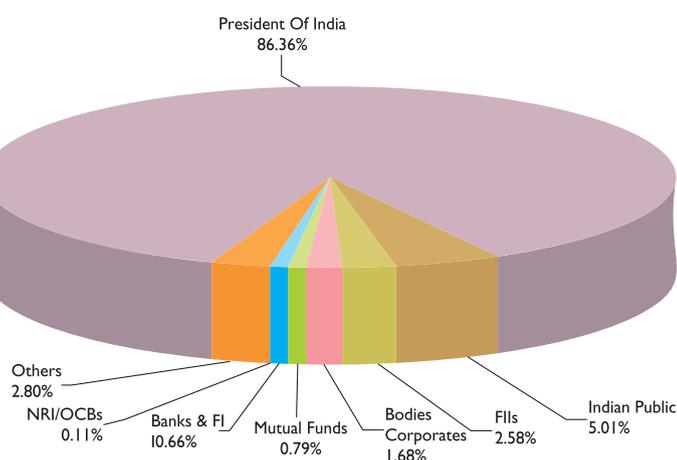
a. Distribution of shareholding according to size, % of holding as on 31st March, 2009:

Number of Shares	No. of shareholders	% of share holders	Total No. of Shares	% of shares
1 - 5000	942616	94.13	145749905	3.46
5001 - 10000	37010	3.70	28238963	0.67
10001 - 20000	12943	1.29	18926213	0.45
20001 - 30000	3344	0.33	8461939	0.20
30001 - 40000	1506	0.15	5343240	0.13
40001 - 50000	1117	0.11	5276597	0.13
50001 - 100000	1707	0.17	12075297	0.29
100001 & Above	1200	0.12	3984769076	94.68
Total	1001443	100.00	4208841230	100.00

b. Shareholding pattern as on 31st March, 2009

S.No	Category	Total Shares	% To Equity
1	PRESIDENT OF INDIA	3634907735	86.36
2	PROMOTERS	600	0.00
3	INDIAN PUBLIC	211024760	5.01
4	FIs	108430366	2.58
5	BODIES CORPORATE	70916595	1.68
6	MUTUAL FUNDS	33132828	0.79
7	BANKS & FI	27965045	0.66
8	NRI/OCBs	4668672	0.11
9	Others	117794629	2.80
	Total	4208841230	100.00

SHAREHOLDING PATTERN AS ON 31ST MARCH, 2009



c. Major Shareholders

Details of Shareholders holding more than 1% of the paid-up capital of the Company as on 31st March, 2009 are given below:

S.No	Name of shareholders	No of Share	% to paid up capital	Category
1	PRESIDENT OF INDIA	3533637935	83.96	POI
2	PRESIDENT OF INDIA	101269800	2.41	POI
3	JANUS CONTRARIAN FUND	49108965	1.17	FI
4	LIC OF INDIA MARKET PLUS	47382430	1.13	INS

xiii) Dematerialization of Shares

The shares of the Company are in compulsory dematerialized segment and are available for trading system of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Secretarial Audit Report for reconciliation of the share capital of the Company obtained from Practicing Company Secretary have been submitted to Stock Exchanges within stipulated time.

No. of shares held in dematerialized and physical mode:

S.No		Number of Holders	Number of Shares	% of total capital issued
1	PHYSICAL	5433	36721	0.00
2	Held in dematerialized form in NSDL	710033	4146258468	98.51
3	Held in dematerialized form in CDSL	285977	62546041	1.48
	Total	1001443	4208841230	100.00



The name and addresses of the Depositories are as under:

1. National Securities Depository Limited
Trade World, 4th Floor,
Kamala Mills Compound, Senapathi Bapat Marg,
Lower Parel,
Mumbai – 400 013.
2. Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers,
28th Floor, Dalal Street, Mumbai – 400 023.

xiv) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

No GDRs/ADRs/Warrants or any Convertible instruments have been issued by the Company.

xv) Location of POWERGRID Plants

POWERGRID has no plants as it is in the business of Transmission of Power.

xvi) Address for correspondence:

Power Grid Corporation of India Limited,

B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi – 110 016.

	Telephone No.	Fax No.
Registered Office	011-26560112, 26560121, 26564812, 26564892	011-26601081
Investor Services Department	0124-2571897	0124-2571897
E-mail ID	investors@powergridindia.com	
Public Spokesperson Shri V.M. Kaul, Director (Personnel) E-mail ID	0124-2571901-02 vmkaul@powergridindia.com	0124-2571903
Company Secretary Ms. Divya Tandon	0124-2571968	0124-2571969
E-mail ID	dtandon@powergridindia.com	

For and on behalf of the Board of Directors

(S.K. Chaturvedi)
Chairman & Managing Director

Place : New Delhi
Date : 29th July, 2009

Annexure - I to the Corporate Governance Report

Non-Mandatory Requirements - Status of Compliance

1. **The Board:** The Company is headed by an executive Chairman. No person has been appointed as independent director who has been a Director, in the aggregate, not exceeding a period of nine years on the Board of POWERGRID.
2. **Remuneration Committee:** POWERGRID has constituted Remuneration Committee for deciding the performance related pay in terms of the DPE directive.
3. **Shareholder Rights:** The financial results for the half year ended 30th September, 2008 were published in Hindustan Times and Hindustan dated 3rd November, 2008 and also put up on website. Significant events including Quarterly results have been disclosed on the Company website: www.powergridindia.com.
4. **Audit qualifications:** The financial statement for the year 2008-09 has no audit qualifications.
5. **Training of Board Members:** A presentation on the following matters was given to the Directors:
 - ✓ Revenue Model of Transmission Charges
 - ✓ Long – Term Open Access
 - ✓ Capacity Utilization vis-a-vis Transmission Network
 - ✓ A paper on the role of independent Directors
 - ✓ Presentation on POWERGRID as a whole was provided to the Directors so as to give them an insight into the functioning of the Company.
6. **Whistle Blower Policy:** The Company has separate Vigilance Department which deals with fraud or suspected fraud involving employees of the Company as well as representatives of suppliers, contractors, consultants, service provider or any other party doing any type of business with POWERGRID. All reports of fraud or suspected fraud are investigated with speed.



CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members,

Power Grid Corporation of India Limited

We have examined the compliance of conditions of corporate governance by Power Grid Corporation of India Limited ("The Company") for the year ended 31st March, 2009 as stipulated in Clause 49 of the Listing Agreements of the Company with the Stock Exchanges.

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 the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that except the composition of the Board of Directors as reported in para 2.2 of Report on Corporate Governance, the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

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 A.R. & Co.
Chartered Accountants

(Anil Gaur)
Partner
M. No. 017546

For S R I Associates
Chartered Accountants

(I. Pasha)
Partner
M. No. 013280

For Umamaheshwara Rao & Co.
Chartered Accountants

(G. Sivaramakrishna Prasad)
Partner
M. No. 024860

Place : New Delhi

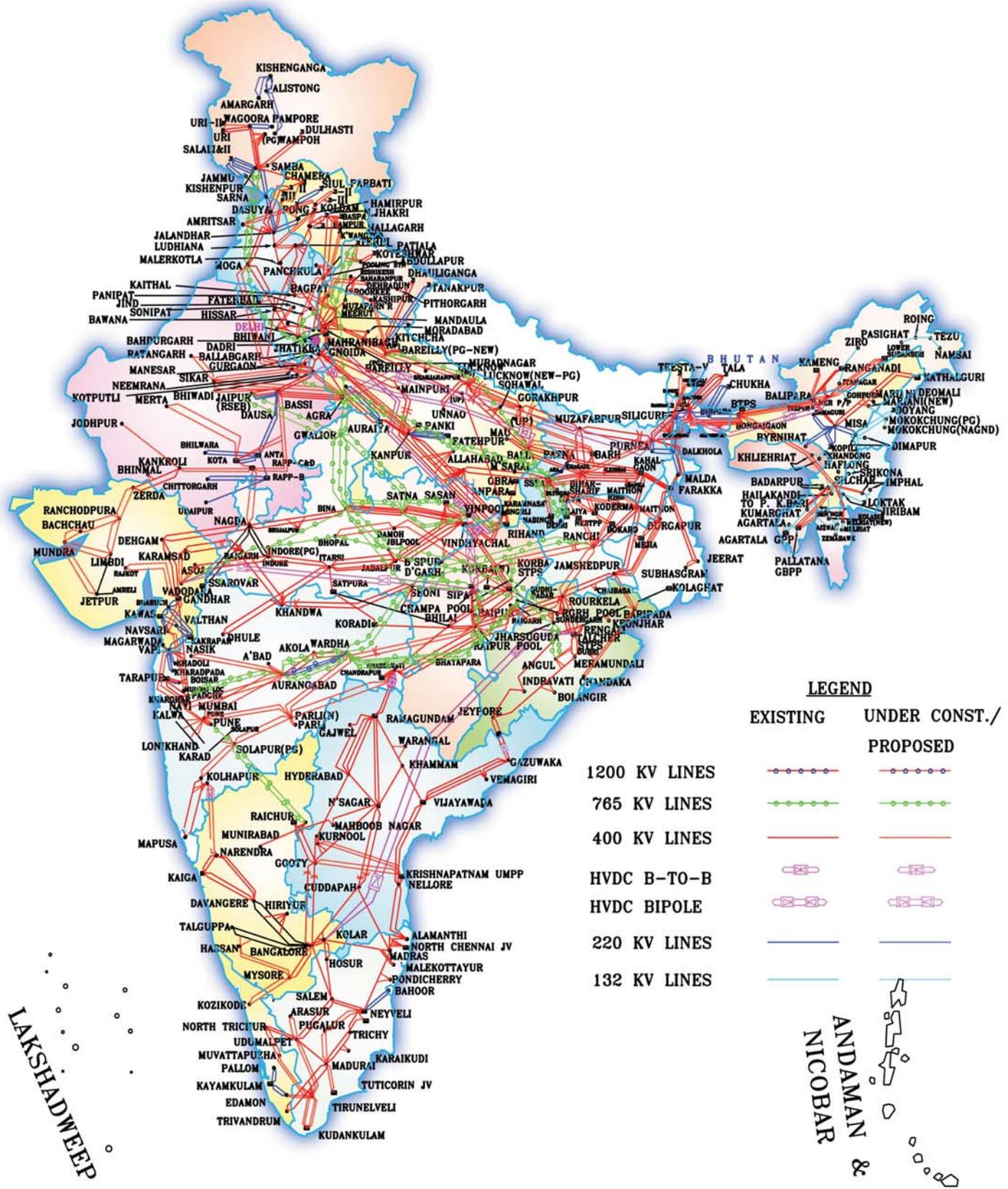
Date : 29th July, 2009

REVENUE EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR ENDED 31ST MARCH, 2009

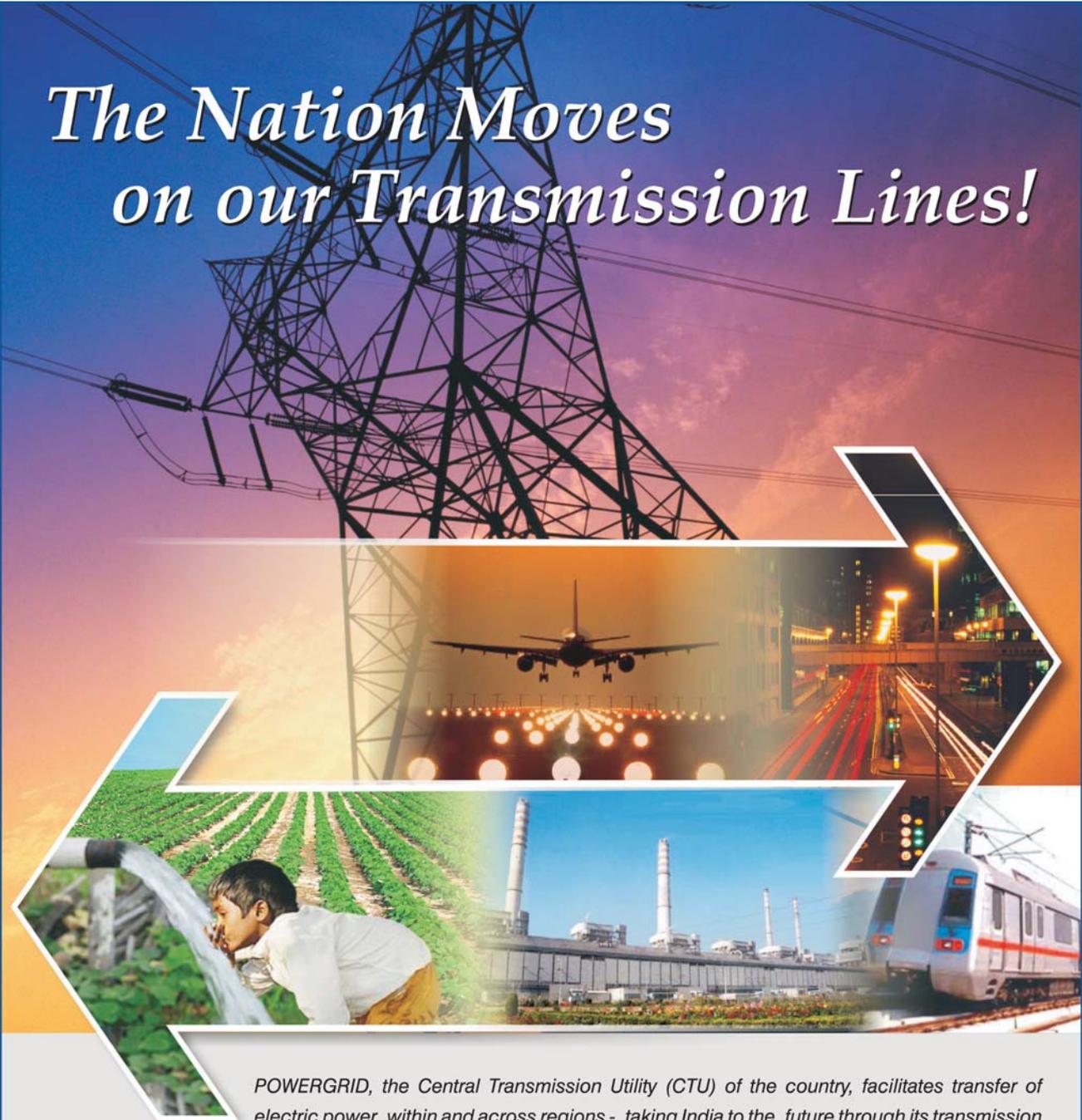
	(Rs.in crore)	
	For the year ended 31 st March, 2009	For the year ended 31 st March, 2008
Township		
a) Depreciation	8.65	7.39
b) Repair & Maintenance	8.61	6.30
c) Others	<u>6.14</u>	<u>6.00</u>
	23.40	19.69
Educational & School Facilities	9.07	1.91
Medical Facilities	39.76	28.00
Subsidised Transport	1.93	2.00
Social & Cultural Activities	10.80	11.00
Subsidised Canteen	7.48	6.59
Total	<u>92.44</u>	<u>69.19</u>
Less: Recoveries	2.01	1.93
Net	<u>90.43</u>	<u>67.26</u>

POWER MAP OF INDIA

POWERGRID LINES



The Nation Moves on our Transmission Lines!



POWERGRID, the Central Transmission Utility (CTU) of the country, facilitates transfer of electric power within and across regions - taking India to the future through its transmission network of 71,500 circuit kms.

The 'Navratna' organisation is playing a vital role in the power sector. A technology frontrunner, POWERGRID has already established National Power Grid and Regional Grids for integrated operation. It is now performing impressively in the challenging terrain of telecom and overseas consultancy services. One of the largest Transmission Utilities in the world, POWERGRID leverages its world-class infrastructure to bring India to light.

www.powergridindia.com

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.

2. RESERVES AND SURPLUS

Self insurance reserve is created @ 0.1% p.a. on Gross Block of Fixed Assets (except for valve halls of HVDC Bi-pole, HVDC equipments, SVC sub stations and series compensators) as at the end of the year by appropriating current year profit towards future losses which may arise from un-insured risks. The same is shown as “Self insurance reserve” under ‘Reserves & Surplus’.

3. GRANTS-IN-AID

3.1 Grants-in-aid received from Central Government or other authorities towards capital expenditure for projects, betterment of transmission systems and specific depreciable assets are shown as “grants-in-aid” till the utilization of grant.

3.2 On capitalisation of related assets, grants received for specific depreciable assets are treated as deferred income and recognized in the Profit and Loss Account over the useful period of life and in proportion to which depreciation on these assets is provided.

4. FIXED ASSETS

4.1 Fixed assets are shown at historical cost comprising of purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

4.2 In the case of commissioned assets, deposit works/cost-plus contracts where final settlement of bills with contractors is yet to be affected, capitalisation is done on provisional basis subject to necessary adjustments in the year of final settlement.

4.3 Assets and systems common to more than one transmission system are capitalised on the basis of technical estimates/assessments.

4.4 Transmission system assets are considered ‘Ready for intended use’, for the purpose of capitalisation, after test charging/successful commissioning of the systems/assets and on completion of stabilization period wherever technically required.

4.5 The cost of land includes provisional deposits, payments/liabilities towards compensation, rehabilitation and other expenses wherever possession of land is taken.

4.6 Expenditure on levelling, clearing and grading of land is capitalised as part of cost of the related buildings.

4.7 Capital expenditure on assets not owned by the company is reflected as a distinct item in capital work-in-progress till completion and thereafter in Fixed Assets.

4.8 Insurance spares, other than mentioned in 4.10 below, 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.

4.9 Mandatory spares, other than mentioned in 4.10 below, 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.

4.10 Items of Insurance / Mandatory spares, covered under 4.8 & 4.9 above, are charged to revenue, if the year of purchase and consumption is same.

5. CAPITAL WORK IN PROGRESS (CWIP)

5.1 Cost of material consumed, erection charges thereon along with other incidental expenses incurred for the projects are shown as CWIP till capitalisation.

5.2 Interest during construction and incidental expenditure during construction (net) including corporate and regional office expenses (allocated to the projects on prorata basis to their capital expenditure), are apportioned to capital work in progress (CWIP) on the closing balance of specific asset or part of asset being capitalised. Balance, if any, left after such capitalisation is kept as a separate item under the CWIP Schedule.

5.3 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors or technical assessment of work completed.

5.4 Claims for price variation/ exchange rate variation in case of contracts are accounted for on acceptance/ receipt of claims.

6. CONSTRUCTION STORES

6.1 Construction stores are valued at cost.



ACCOUNTING POLICIES

7. ALLOCATION OF COMMON EXPENSES

- 7.1. The common expenses (net) of corporate office and regional offices are allocated to various diversified activities of the company viz. transmission, telecom, consultancy & accelerated power development and reform program (APDRP) in the ratio of the respective income/reimbursement of each activity.
- 7.2. The common expenses thus allocated are further allocated to Incidental expenditure during construction (IEDC) and revenue in transmission and telecom activities in the ratio of capital outlay thereof to transmission charges (excluding income tax recovery) and telecom income.
- 7.3. 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 & transmission charges based on tariff orders received upto 15th May of each year) and capital outlay.

8. BORROWING COST

- 8.1. All the borrowed funds are earmarked to specific projects. The borrowing costs (including bond issue expenses, interest, front end fee, guarantee fee, management fee etc.) are allocated to the projects in proportion to the funds so earmarked.
- 8.2. The borrowing costs so allocated are capitalised or charged to revenue, based on whether the project is under construction or in operation.
- 8.3. Foreign exchange rate variation (FERV) (Unfavorable) on foreign currency borrowings, to the extent it does not exceed the difference between the local currency borrowing cost and foreign currency borrowing cost, is treated as borrowing cost.

9. TRANSACTION IN FOREIGN CURRENCY

- 9.1. Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of transaction. Foreign currency loans, deposits and liabilities are translated or converted with reference to the rates of exchange ruling on the date of the Balance Sheet.
- 9.2. FERV (except the amount considered as 'borrowing cost' under para 8.3 above) arising on transactions contracted prior to April 1, 2004 is adjusted to carrying cost of capital work-in-progress/fixed assets in case of capital assets. For the transactions contracted on or after April 1, 2004, the same is charged to Profit & Loss Account irrespective of whether the project is under construction or operation.
- 9.3. FERV (excluding FERV during construction period for the transactions contracted on or after 1st April, 2004), accounted for as per policy no 8.3 & 9.2 is recoverable/payable from the beneficiaries on actual payment basis as per Central electricity regulatory commission (CERC) norms w.e.f 1st April, 2004 or Date of Commercial Operation (DOCO) whichever ever is later.

The above FERV to the extent recoverable or payable as per CERC norms is accounted for as follows:

- a) FERV recoverable or payable is apportioned into (i) amount adjusted to carrying cost of fixed assets and (ii) amount recognized as income/expense in profit and loss account in the same proportion in which FERV is apportioned between carrying cost of fixed assets and Profit and Loss Account.
- b) FERV recoverable/payable adjusted to carrying cost of fixed assets, as referred in (a) above is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Deferred income/expenditure from foreign currency fluctuation a/c'.
- c) FERV recoverable/payable adjusted in profit and loss referred in (a) above is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Profit & Loss Account'.
- d) 'Deferred income/expenditure from foreign currency fluctuation a/c' is amortized in the proportion in which depreciation is charged on such FERV.
- e) The amount recoverable/payable as per CERC norms on year to year basis is adjusted to the 'Deferred foreign currency fluctuation asset/liability a/c' with corresponding credit/debit to the debtors.
- 9.4. FERV upto the date of commercial operation in respect of transactions contracted on or after 1st April, 2004, is included in the capital cost for the purpose of tariff. Such FERV and transmission charges received thereon are accounted for as under:
- a) Such FERV is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Profit & Loss Account'.
- b) Depreciation component of transmission charges (being 90% of such FERV) is adjusted against Deferred foreign currency fluctuation asset/liability a/c'.
- c) Balance 10% is adjusted against the transmission charges over the tenure of respective loan.

ACCOUNTING POLICIES

9.5 FERV in respect of current assets is taken to Profit & Loss a/c.

10. INVESTMENTS

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

11. INVENTORIES

11.1. Inventories are valued at lower of the cost, determined on weighted average basis, and net realizable value.

11.2 Steel scrap and conductor scrap are valued at estimated realizable value or book value, whichever is less.

11.3 Mandatory spares of consumable nature and transmission line items are treated as inventory after commissioning of the system.

11.4 Surplus materials as determined by the management are held for intended use and are included in the inventory.

12. DEFERRED REVENUE EXPENDITURE

12.1 Deferred revenue expenditure created up to March 31, 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.

13. REVENUE RECOGNITION

13.1.1 Transmission Income is accounted for based on tariff notified by CERC. In case of transmission projects where tariff rates are yet to be notified, transmission income is accounted for as per tariff norms and other amendments notified by CERC in similar cases. In such cases, the shortage/excess, if any, is adjusted based on issuance of final notification of tariff orders by CERC. Transmission income on account of additional capitalisation, if any, is accounted for on the basis of specific order by the CERC.

13.1.2 Income from short term open access is accounted for on the basis of regulations notified by CERC.

13.1.3 The Transmission system incentive / disincentive is accounted for based on certification of availability by the respective Regional power committees and in accordance with the norms notified / approved by CERC.

13.1.4 Advance against depreciation (AAD), 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.

13.2 Surcharge recoverable from debtors is not treated as accrued due to uncertainty of its realization and is, therefore, accounted for on receipt/certainty of receipt.

13.3 Liquidated damages / warranty claims and Interest on advances to suppliers are not accounted for on certainty.

13.4 Telecom income is accounted for on the basis of terms of agreements/ purchase orders from the customers.

13.5.1 Income from sole consultancy contracts are accounted for on technical assessment of progress of services rendered.

13.5.2 In respect of 'Cost-plus-consultancy contracts', involving execution on behalf of the client, income is accounted for (Wherever initial advances received) in phased manner as under:

- a. 10% on issue of Notice Inviting Tender for execution
- b. 5% on Award of Contracts for execution
- c. Balance 85% on the basis of actual progress of work including supplies

13.6 Scrap other than steel scrap & conductor scrap are accounted for as and when sold.

13.7 Dividend income including interim dividend is recognized in the year of declaration.

14. LEASED ASSETS – UNIFIED LOAD DESPATCH CENTRE (ULDC)

14.1 State sector unified load dispatch centre (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 for 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.

14.2 Finance income on leased assets are recognised based on a pattern reflecting a constant periodic rate of return on the net investment as per the levelled tariff notified/to be notified by CERC.

14.3 FERV 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. FERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.



ACCOUNTING POLICIES

15. DEPRECIATION

- 15.1.1 Depreciation is provided on straight line method at the rates specified in the norms notified by CERC for the purpose of recovery of tariff on pro-rata basis except for the following assets in respect of which depreciation is charged at the rates mentioned below:
- | | | |
|----|-------------------------|--------|
| a) | Computers & Peripherals | 30% |
| b) | Mobile Phones | 33.33% |
| c) | Software | 33.33% |
- 15.1.2 ULDC assets are depreciated @ 6.67% per annum as determined by CERC for levelized tariff.
- 15.1.3 Depreciation on assets of telecom and consultancy business, is provided for on straight line method as per rates specified in Schedule XIV of the Companies Act, 1956.
- 15.1.4 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 as specified by the CERC.
- 15.1.5 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.
- 15.1.6 Plant and machinery, loose tools and items of scientific appliances, included under different heads of assets, costing Rs. 5000/- or less, or where the written down value is Rs. 5000/- or less as at the beginning of the year, are charged off to revenue.
- 15.1.7 Assets costing up to Rs. 5,000/- in respect of which rates are not specified in the norms notified by CERC, are fully depreciated in the year of acquisition.
- 15.1.8 Leasehold land is depreciated over the tenure of the lease.
- 15.2 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. April 1, 1992, Jammu and Kashmir Lines w.e.f. April 1, 1993, and Tehri Hydro Development Corporation Limited (THDC) w.e.f. August 1, 1993, 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.

16. EXPENDITURE

- 16.1 Pre-paid/prior-period items up to Rs.100000/- are accounted for to natural heads of account.
- 16.2 Expenditure of research and development, other than Capital Expenditure, are charged to revenue in the year of incurrence.
- 16.3 Expenditure, except the cost of equipment capitalised, incurred for activating the last mile connectivity of telecom links are amortized over the period of agreement with the customer.

17. IMPAIRMENT OF ASSETS

- 17.1 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.

18. EMPLOYEE BENEFITS

- 18.1 The liabilities 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.
- 18.2 The liabilities for compensated absence (both for Earned & Half Pay Leave), leave encashment, leave travel concession, post retirement medical benefits & Settlement Allowance to employees are ascertained annually on actuarial valuation at the year end and provided for.

19. PROVISIONS AND CONTINGENT LIABILITIES

- 19.1 A provision is recognised when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical valuation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. No provision is recognized for liabilities whose future outcome cannot be ascertained with reasonable certainties. Such contingent liabilities are not recognised but are disclosed in the schedule of contingent liability on the basis of judgment of the management /independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.



Accounts

Nation's Grid Nation's Pride

**BALANCE SHEET AS AT 31ST MARCH, 2009**

	Schedule No.		(Rupees in crore)	
			As at 31st March, 2009	As at 31st March, 2008
SOURCES OF FUNDS				
Shareholders' Fund				
Share Capital	01	4208.84		4208.84
Reserves and Surplus	02	<u>10414.75</u>		<u>9298.53</u>
			14623.59	13507.37
Deferred Revenue				
Advance Against Depreciation (AAD)	03	2159.59		1697.07
Grants in Aid	04	<u>225.35</u>		<u>246.80</u>
			2384.94	1943.87
Loan Funds				
Secured Loans	05A	25288.25		17552.13
Unsecured Loans	05B	<u>3177.18</u>		<u>4711.35</u>
			28465.43	22263.48
Deferred Tax liability(Net)				
Less: Recoverable		<u>4461.51</u>		<u>3743.02</u>
		<u>3922.97</u>		<u>3249.24</u>
			538.54	493.78
TOTAL			<u>46012.50</u>	<u>38208.50</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	06	40319.33		35417.14
Less: Depreciation		<u>9190.89</u>		<u>8061.94</u>
Net Block		31128.44		27355.20
Capital Work-in-Progress	07	6533.43		5305.41
Construction Stores and Advances	08	<u>6752.57</u>		<u>3452.68</u>
			44414.44	36113.29
Investments				
	09		1592.83	1736.22
Current Assets, Loans & Advances				
Inventories	10	297.57		248.22
Sundry Debtors	11	1373.56		1100.50
Cash and Bank Balances	12	2428.88		1865.59
Other Current Assets	13	1446.28		395.17
Loans and Advances	14	<u>2766.63</u>		<u>1767.30</u>
			8312.92	5376.78
Less: Current Liabilities & Provisions				
Current Liabilities	15	6123.37		3672.39
Provisions	16	<u>2189.82</u>		<u>1352.59</u>
			8313.19	5024.98
Net Current Assets			(0.27)	351.80
Miscellaneous Expenditure (to the extent not written off or adjusted)	17		5.50	7.19
TOTAL			<u>46012.50</u>	<u>38208.50</u>
Contingent Liabilities	18		5674.54	2907.32
Notes on accounts	28			

Schedules I to 28 and Accounting Policies form an integral part of Accounts

(Divya Tandon)
Company Secretary

For A. R. & Co.
Chartered Accountants
(Pawan K. Goel)
Partner
M.No. 072209

For and on behalf of the Board
(J.Sridharan)
Director(Finance)
As per our report of even date
For S R I Associates
Chartered Accountants
(I. Pasha)
Partner
M.No. 013280

(S.K.Chaturvedi)
(Chairman & Managing Director)
For Umamaheswara Rao & Co.
Chartered Accountants
(L. Shyama Prasad)
Partner
M.No. 028224

Place : New Delhi
Date : 16th June, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2009

(Rupees in crore)			
	Schedule No.	For the year ended 31st March, 2009	For the year ended 31st March, 2008
INCOME			
Revenue from Operations	19	6579.81	4614.82
Provisions written back	20	0.04	8.39
Other Income	21	448.69	458.32
TOTAL		<u>7028.54</u>	<u>5081.53</u>
EXPENDITURE			
Employees' Remuneration & Benefits	22	643.88	519.06
Transmission Administration and Other Expenses	23	411.61	341.42
Depreciation	06	1093.97	959.65
Provisions	24	46.23	3.83
Interest and Finance Charges {Including FERV impact of Rs. 943.34 Crore (Previous year Rs.76.26 Crore)}	25	2532.09	1339.55
Deferred Revenue Expenditure Written Off		1.83	5.43
TOTAL		<u>4729.61</u>	<u>3168.94</u>
Profit for the year before tax and Prior Period Adjustments		<u>2298.93</u>	<u>1912.59</u>
Less: Prior Period Expenditure/(Income) (Net)	26	70.36	182.06
Profit Before Tax		<u>2228.57</u>	<u>1730.53</u>
Less: Provision for Taxation - Current year		318.25	197.12
- Earlier years		<u>160.35</u>	(0.01)
		<u>478.60</u>	<u>197.11</u>
Fringe Benefit Tax - Current year		14.62	10.50
- Earlier years		<u>(0.02)</u>	
		<u>14.60</u>	<u>10.50</u>
Profit after Current Tax		<u>1735.37</u>	<u>1522.92</u>
Less: Provision for Deferred Tax			
Total Deferred tax Liability		718.49	546.81
Less: Recoverable from beneficiaries		<u>673.73</u>	<u>472.36</u>
		<u>44.76</u>	<u>74.45</u>
Profit after Tax		<u>1690.61</u>	<u>1448.47</u>
Add: Balance of Profit brought forward		33.97	16.24
Add: Bond Redemption Reserve Written Back		139.42	140.68
Add: Withdrawal from STOA Reserve		22.65	
Total Amount Available for Appropriation		<u>1886.65</u>	<u>1605.39</u>
Appropriation			
Interim Dividend Paid		210.46	210.46
Corporate Dividend Tax Paid		35.77	35.77
Proposed Final Dividend		294.62	294.62
Provision for Corporate Dividend Tax		50.07	50.07
Transfer to Self Insurance Reserve		34.93	30.32
Transfer to Bonds Redemption Reserve		491.23	400.18
Transfer to STOA Reserve		22.65	
Transfer to General Reserve		700.00	550.00
Balance of Profit carried over to Balance Sheet		<u>46.92</u>	<u>33.97</u>
		<u>1886.65</u>	<u>1605.39</u>
Earning per Share-Basic [In Rs.per share]		4.0168	3.6019
Face value of Rs.10/- each			
Earning per Share-Diluted [In Rs.per share]		4.0168	3.6007
Face value of Rs.10/- each			
Incidental Expenditure During Construction	27		
Notes on Accounts	28		

Schedules I 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)

(S.K.Chaturvedi)
(Chairman & Managing Director)

As per our report of even date

For A. R. & Co.
Chartered Accountants
(Pawan K. Goel)
Partner
M.No. 072209

For S R I Associates
Chartered Accountants
(I. Pasha)
Partner
M.No. 013280

For Umamaheswara Rao & Co.
Chartered Accountants
(L. Shyama Prasad)
Partner
M.No. 028224

Place : New Delhi

Date : 16th June, 2009

**Schedule 01 - Share Capital**

Description	(Rupees in crore)	
	As at 31st March, 2009	As at 31st March, 2008
AUTHORISED		
10,00,00,00,000 (Previous year 10,00,00,00,000) equity shares of Rs. 10/- each	<u>10000.00</u>	<u>10000.00</u>
ISSUED, SUBSCRIBED AND PAID-UP		
4,20,88,41,230 (Previous Year 4,20,88,41,230) equity shares of Rs 10/- each fully paid up.		
Of the above 1,81,25,29,500 (Previous Year 1,81,25,29,500) equity Shares have been allotted as fully paid up pursuant to Govt. of India notification without payment being received in cash.	<u>4208.84</u>	<u>4208.84</u>
TOTAL	<u>4208.84</u>	<u>4208.84</u>

Schedule 02 - Reserves and Surplus

Description	(Rupees in crore)			
	As at 1st April, 2008	Additions During the year	Deductions/ Adjustments During the year	As at 31st March, 2009
Share Premium	1583.14			1583.14
Self Insurance Reserve				
Through Appropriation of Profit	92.32	34.93		127.25
Through Charge to Profit & Loss account	68.79		0.04	68.75
General Reserve	6292.98	700.00	(16.57)	7009.55
STOA Reserve		22.65	22.65	
Bonds Redemption Reserve	1227.33	491.23	139.42	1579.14
	<u>9264.56</u>	<u>1248.81</u>	<u>145.54</u>	<u>10367.83</u>
Balance in Profit & Loss Account	33.97			46.92
TOTAL	<u>9298.53</u>			<u>10414.75</u>

Schedule 03 - Advance Against Depreciation (Deferred Revenue)

Description	(Rupees in crore)			
	As at 1st April, 2008	Additions During the Year	Reversals/ Adjustments During the year	As at 31st March, 2009
Advance Against Depreciation	1697.07	464.66	2.14	2159.59
TOTAL	<u>1697.07</u>	<u>464.66</u>	<u>2.14</u>	<u>2159.59</u>
Previous Year	1201.17	497.19	1.29	1697.07

Schedule 04 - Grants in Aid (Deferred Revenue)

Description	(Rupees in crore)			
	As at 1st April, 2008	Additions During the year	Deductions/ Adjustments During the year	As at 31st March, 2009
Grants in aid	246.80		21.45	225.35
	<u>246.80</u>		<u>21.45</u>	<u>225.35</u>
Previous Year	264.45		17.65	246.80

Schedule 05 A - Secured Loans

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
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.	30.00	40.00
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 installments w.e.f. 27th April, 2005. Secured by floating charge over the Fixed Assets of the Corporation.	12.00	14.00
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 installments w.e.f. 22nd August, 2003. Secured by way of Registered Bond 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.	230.60	288.25
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 installments w.e.f 21.06.2004. Secured by way of Registered Bond 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.	444.22	507.68
BONDS XI SERIES		
a) 9.80% Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of Rs. 3 crore each consisting of 12 STRPPs of Rs 25 lakh each, redeemable at par in 12 (twelve) equal annual installments w.e.f 07-12-2005. Secured by way of Registered Bond 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.	362.00	407.25

**Schedule 05 A - Secured Loans (Contd..)**

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
b) 9.20% Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible bonds of Rs. 3 crore each consisting of 6 STRPPs of Rs. 50 lakh each, redeemable at par in 6 (six) equal annual installments w.e.f 07-12-2003. Secured by way of Registered Bond 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.	-	34.50
	362.00	441.75
BONDS XII SERIES		
9.70% Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of Rs 1.5 crore each consisting of 12 STRPPs of Rs. 12.50 lakh each, redeemable at par in 12 (twelve) equal annual installments w.e.f 28.03.2006. Secured by way of Registered Bond Trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad, Gujarat and mortgage and hypothecation on assets of Kayamkulam & Ramagundam Hyderabad Transmission System.	123.00	138.38
BONDS XIII SERIES		
a) 8.63% Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of Rs 1.5 crore each consisting of 12 STRPPs of Rs. 12.50 lakh each, redeemable at par in 12 (twelve) equal annual installments w.e.f 31.07.2006. Secured by way of Registered Bond 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.	607.50	675.00
b) 7.85% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 1.5 crore each consisting of 06 STRPPs of Rs 25 lakh each, redeemable at par in 6 (six) equal annual installments w.e.f 31.07.2003. Secured by way of Registered Bond 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.	-	41.75
	607.50	716.75
BONDS XIV SERIES		
6.10% Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of Rs. 1.5 crore each consisting of 12 STRPP's of Rs. 12.50 Lakhs each redeemable at par in 12 (twelve) equal annual installments w.e.f. 17.07.2004. Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.	407.75	466.00

Schedule 05 A - Secured Loans (Contd...)

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
BONDS XV SERIES		
6.68% Taxable, Secured, Non-Cumulative, Non-Convertible Bonds of Rs. 1.50 crore each consisting of 12 STRPP's of Rs 12.50 lakhs each redeemable at par in 12 (twelve) equal annual installments w.e.f 23.02.2008.	750.00	825.00
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at mouje Ambheti, Taluka Kaparada in district Valsad, 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.	675.00	750.00
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.		
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	1000.00
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.		
BONDS XVIII SERIES		
8.15% Taxable, Secured, 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.	999.00	999.00
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.		
BONDS XIX SERIES		
9.25% Taxable, Secured, 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 24.07.2010.	495.00	495.00
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.		

**Schedule 05 A - Secured Loans (Contd..)**

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
BONDS XX SERIES		
8.93% Taxable, Secured, 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 07.09.2010. Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.	1500.00	1500.00
BONDS XXI SERIES		
8.73% Taxable, Secured, 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. 11.10.2010. Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.	510.00	510.00
BONDS XXII SERIES		
8.68% Taxable, Secured, 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 07.12.2010. Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.	690.00	690.00
BONDS XXIII SERIES		
9.25% Taxable, Secured, 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 09.02.2011. Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the company.	307.50	307.50
BONDS XXIV SERIES		
9.95% Taxable, Secured, 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 26.03.2011. Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.	799.50	799.50

Schedule 05 A - Secured Loans (Contd...)

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
BONDS XXV SERIES		
10.10% Taxable, Secured, 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 12.06.2011.	1065.00	*
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.		
BONDS XXVI SERIES		
9.30% Taxable, Secured, 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 07.03.2012.	999.00	*
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.		
BONDS XXVII SERIES		
9.47% Taxable, Secured, 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 31.03.2012.	705.00	*
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.		
* Bonds XXV to XXVII series are included under Unsecured Loans in previous year		
BONDS XXVIII SERIES		
9.33% Taxable, Secured, 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 15.12.2012.	2400.00	-
Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in district Valsad, Gujarat and floating charge on the assets of the Company.		
	<u>15112.07</u>	<u>10488.81</u>



Schedule 05 A - Secured Loans (Contd..)

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Term Loans from Banks/ Financial Institutions		
Secured by a floating charge on the fixed assets of the Company		
Indian Overseas Bank	40.00	50.00
Corporation Bank	45.00	55.00
Punjab National Bank-Loan-I	80.00	100.00
Punjab National Bank-Loan-II	175.00	200.00
Oriental Bank of Commerce	145.84	166.67
Life Insurance Corporation of India-II	439.95	514.12
Life Insurance Corporation of India-III	36.24	43.72
	962.03	1129.51
ICICI Bank Ltd.		
Secured by first pari passu charge over the assets of the Company	60.00	75.00
Bank of India, Cayman Islands		
Secured by a Floating charge on the immovable properties of the company	379.84	317.29
Loan from Asian Development Bank , Philippines (Guaranteed by Govt. of India)		
ADB-I	654.00	569.45
Secured by pari passu interest in the liens created on the assets as security for the debts.		
ADB-II	1168.13	948.76
Secured by pari passu interest in the liens created on the assets as security for the debts.		
ADB-III	1406.11	671.00
Secured by pari passu interest in the liens created on the assets as security for the debts.		
	3228.24	2189.21
Loan from International Bank for Reconstruction and Development, USA (Guaranteed by Govt. of India)		
PSDP I	515.12	502.23
Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyaachal and Rihand Transmission system.		
PSDP-II	2025.77	1660.15
Secured by pari passu interest in the liens created on the assets as security for the debts.		
PSDP-III	1867.42	1189.93
Secured by pari passu interest in the liens created on the assets as security for the debts.		
PSDP-IV	1137.76	-
Secured by pari passu interest in the liens created on the assets as security for the debts.		
	5546.07	3352.31
Total Secured Loans	10176.18	7063.32
Due for repayment/redemption within one year	1233.00	994.44

Schedule 05 B - Unsecured Loans

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
LOANS THROUGH BONDS		
BONDS XXV SERIES		
10.10% Taxable, Secured, 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 12.06.2011 To be secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.	*	1065.00
BONDS XXVI SERIES		
9.30% Taxable, secured, 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 07.03.2012 To be secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.	*	999.00
BONDS XXVII SERIES		
9.47% Taxable, Secured, 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 31.03.2012 To be secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.	*	705.00
*Bonds XXV to XXVII series are included under Secured Loans in Current year		
BONDS XXIX SERIES		
9.20% Taxable, Secured, 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 12.03.2013 To be secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company.	1297.50	-
	1297.50	2769.00

**Schedule 05 B - Unsecured Loans (Contd...)**

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Loans in Indian Currency		
Short Term Loans from Banks	750.00	750.00
Term Loans		
Power Finance Corporation Limited	<u>35.00</u>	<u>45.00</u>
	785.00	795.00
Loans in Foreign Currency		
From Foreign Banks & Financial Institutions		
Loans Guaranteed by Govt of India		
a. Natixis Banque (Formerly Credit National), France	137.00	134.51
b. Japan International Cooperation Agency (Formerly Japan Bank for International Cooperation), Japan	172.59	139.42
c. European Investment Bank, Luxembourg	<u>94.58</u>	<u>101.27</u>
	404.17	375.20
Others		
Kreditanstalt fur Wiederaufbau, Germany	558.40	610.94
Skandinaviska Enskilda Banken AB(publ), Sweden	<u>132.11</u>	<u>161.21</u>
	690.51	772.15
	<u>1094.68</u>	<u>1147.35</u>
	1094.68	1147.35
Total Unsecured Loans	3177.18	4711.35
Due for repayment/redemption within one year	935.35	918.48

Schedule 06 - Fixed Assets

(Rupees in Crore)

Description	Gross Block			Depreciation				Net Block		
	As at 1st April, 2008	Additions during the year	Adjustments during the year	As at 31st March, 2009	As at 1st April, 2008	Additions during the Year	Adjustments during the year	As at 31st March, 2009	As at 31st March, 2009	As at 31st March, 2008
Land										
a) Freehold	307.84	52.27	(7.01)	367.12					367.12	307.84
b) Leasehold	71.26	0.12	0.23	71.15	3.86	0.98	(0.02)	4.86	66.29	67.40
Buildings										
a) Sub-Stations & Office	391.31	27.98	(2.73)	422.02	94.44	10.72	(0.01)	105.17	316.85	296.87
b) Township	294.08	29.21	(7.81)	331.10	43.67	5.65	(0.07)	49.39	281.71	250.41
Temporary Erection	7.68	0.14	0.05	7.77	5.81	0.31	0.07	6.05	1.72	1.87
Roads & Bridges	95.40	8.79	(3.18)	107.37	14.14	1.86	(0.02)	16.02	91.35	81.26
Water Supply Drainage & Sewerage	54.80	6.86	(1.06)	62.72	11.46	1.43	(0.01)	12.90	49.82	43.34
Plant & Machinery										
a) Transmission Lines	21349.00	2743.96	(361.62)	24454.58	3956.91	586.34	5.14	4538.11	19916.47	17392.09
b) Substation	10903.33	1161.80	(201.25)	12266.38	3429.75	384.70	4.53	3809.92	8456.46	7473.58
c) ULDC	688.24	19.86	(36.30)	744.40	170.63	40.16	(18.57)	229.36	515.04	517.61
d) Telecom links	823.58	12.61	(69.99)	906.18	184.77	57.52	(2.63)	244.92	661.26	638.81
Constrn.and Workshop equipment	49.63	8.83	(1.54)	60.00	10.86	1.99	0.02	12.83	47.17	38.77
Electrical Installation	52.40	10.03	(2.47)	64.90	20.16	3.01	0.07	23.10	41.80	32.24
Vehicles	2.78	1.36	0.04	4.10	2.21	0.19	0.20	2.20	1.90	0.57
Furniture Fixtures & Office equipment	99.70	14.16	0.24	113.62	38.54	6.41	0.19	44.76	68.86	61.16
EDP/WP Machines	51.35	6.17	0.31	57.21	38.93	5.23	0.38	43.78	13.43	12.42
Miscellaneous Assets/ Equipments	55.38	5.61	(0.41)	61.40	29.87	5.62	0.05	35.44	25.96	25.51
Capital Exp. on Assets not owned by the Company	11.47	2.00	(0.47)	13.94	9.50	1.35	(0.02)	10.87	3.07	1.97
Intangible Assets										
Afforestation Charges	113.71	95.15	(0.24)	209.10	1.49	4.68	0.17	6.00	203.10	112.22
Softwares	1.01	0.07		1.08	0.63	0.27		0.90	0.18	0.38
Grand Total	35423.95	4206.98	(695.21)	40326.14	8067.63	1118.42	(10.53)	9196.58	31129.56	27356.32
Less: Provisions for assets discarded				6.81				5.69	1.12	
				<u>40319.33</u>				<u>9190.89</u>	<u>31128.44</u>	
Previous Year	29018.63	6945.75	540.43	35423.95	7202.00	950.57	84.94	8067.63	27356.32	
Less: Provisions for assets discarded				6.81				5.69	1.12	
				<u>35417.14</u>				<u>8061.94</u>	<u>27355.20</u>	
					<u>31.03.2009</u>	<u>31.03.2008</u>				
Depreciation (Addition during the year)					1118.42	950.57				
Less: Transferred to Incidental Expenditure During Construction (Schedule 27-C)					6.90	5.36				
					<u>1111.52</u>	<u>945.21</u>				
Add: Depreciation amortised due to FERV adjustment					(17.55)	14.44				
Charged to Profit & Loss Account					<u>1093.97</u>	<u>959.65</u>				

**Schedule 07 - Capital Work In Progress**

Description	(Rupees in Crore)				
	Balance As at 01.04.2008	Additions during the year	Adjustments during the year	Capitalised during the year	Balance As at 31.03.2009
Land					
Development of land	19.24	11.74	2.84	1.58	26.56
Buildings					
a) Sub-Stations & Office	26.31	23.97	3.04	26.10	21.14
b) Township	47.79	36.21	6.16	26.22	51.62
Temporary erection	0.37	0.08	0.11	0.11	0.23
Roads & Bridges	9.96	8.03	1.80	8.26	7.93
Water Supply Drainage and Sewerage	6.54	6.38	1.14	5.68	6.10
Plant & Machinery (including associated civil works)					
a) Transmission Lines	3999.49	3119.61	87.77	2691.73	4339.60
b) Sub-Station	951.83	1066.81	64.26	1087.39	866.99
c) ULDC	3.63	20.87	0.18	19.10	5.22
d) Telecom links	20.20	44.39	1.83	3.23	59.53
Furniture, Fixtures & Other office equipment	0.09	2.39	0.04	0.70	1.74
Electrical installations	9.04	8.71	2.82	9.47	5.46
Survey, Investigation, Consultancy & Supervision Charges	47.29	15.90	5.77	4.76	52.66
Difference in Exchange on Foreign Loans	(19.62)	967.71	862.43	85.67	(0.01)
Capital expenditure on assets not owned by Company	2.97	1.31	0.03	1.96	2.29
Incidental Expenditure during Construction	77.82	915.72	(110.12)	55.87	1047.79
Intangible Assets					
Afforestation Charges	102.46	29.87	(3.29)	94.34	41.28
TOTAL	5305.41	6279.70	926.81	4122.17	6536.13
Less: Provisions for assets discarded					2.70
					6533.43
Previous Year	6068.85	6305.40	307.47	6761.37	5305.41

Schedule 08 - Construction Stores and Advances

Description	(Rupees in crore)	
	As at 31st March, 2009	As at 31st March, 2008
Construction Stores {Including Material in transit/pending issue to contractors and with contractors of Rs.4682.00 crore (Previous Year Rs 2606.60 crore)}		
Towers	1114.15	625.75
Conductors	1693.58	1086.71
Other Line Materials	522.30	398.94
Sub-Station Equipments	1013.08	477.55
HVDC Equipments	307.29	
ULDC Materials	4.75	3.01
Telecom Materials	2.83	10.66
Steel	0.71	1.25
Others	35.51	14.53
	<u>4694.20</u>	<u>2618.40</u>
Less: Provision for Shortages and obsolete material	<u>0.01</u>	<u>0.01</u>
	4694.19	2618.39
Advances for Capital Expenditure		
Secured		
Considered Good	1.84	1.67
Unsecured		
Considered Good		
a. Against Bank guarantees	1860.45	641.97
b. Others	196.09	190.65
Considered Doubtful	1.91	1.91
	<u>2058.45</u>	<u>834.53</u>
Less: Provision for Bad & Doubtful Advances	<u>1.91</u>	<u>1.91</u>
	2056.54	832.62
	2058.38	834.29
	6752.57	3452.68

Schedule 09 - Investments

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
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	126.36	144.42
Arunachal Pradesh	3.65	4.18
Assam	117.46	134.24
Bihar	113.50	129.71
Gujarat	49.03	56.03
Haryana	56.35	64.40
Himachal Pradesh	1.98	2.26
Jammu & Kashmir	113.38	129.58
Kerala	16.88	19.29
Madhya Pradesh	72.84	83.25
Maharashtra	9.43	10.78
Manipur	22.19	25.36
Meghalaya	0.30	0.35
Mizoram	0.01	0.02
Nagaland	9.75	11.14
Punjab	32.86	37.55
Rajasthan	8.72	10.90
Sikkim	7.89	9.01
Tripura	0.64	0.73
Uttar Pradesh	323.02	369.17
Uttaranchal	35.89	41.01
West Bengal	56.34	64.39
Jharkhand	78.06	89.21
	1256.53	1436.98
b) Other Bonds:		
15 years 8.5% J&K Govt. Bonds 2017, Interest payable semi-annually, redeemable w.e.f 30.11.2007	20.77	21.93
15 years 8.5% J&K Govt. Bonds 2018, Interest payable semi-annually, redeemable w.e.f 31.03.2008	24.19	25.52
II. Equity Shares-Fully Paid up :-	44.96	47.45
Quoted		
PTC India Ltd		
120,00,006 (Previous year 120,00,006) Shares of Rs.10/- each fully paid up.		
{Market Value Rs. 83.94 crore @ 69.95 (NSE) per share (Previous year Rs. 116.16 Crore @ 96.80 (NSE) per share)}	12.00	12.00

**Schedule 09 - Investments**

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Unquoted		
Subsidiary Company		
Byrnihat Transmission Co. Ltd.		
50,000 (Previous year 50,000) Equity shares of Rs. 10/- each fully paid up.	0.05	0.05
Joint Venture Companies		
Torrent Power Grid Ltd.		
13,000 (Previous Year 13,000) Equity Shares of Rs. 10/- each Fully paid up.	0.01	0.01
155,87,000 (Previous Year 155,87,000 Rs. 5 paid up) Equity Shares of Rs. 10/- each Fully paid up.	<u>15.59</u>	<u>7.80</u>
	15.60	7.81
Powergrid IL &FS Transmission Pvt. Ltd		
25,000(Previous year NIL) Equity shares of Rs. 10/- each fully paid up.	0.03	
Jaypee Powergrid Ltd.		
3,25,00,000 (Previous year 26,00,000)Equity Shares of Rs. 10/- each fully paid up.	32.50	2.60
Parbati Koldam Transmission Company Ltd.		
18,33,000 (Previous Year 13,000) Equity shares of Rs. 10/- each fully paid up.	1.83	0.01
Teestavalley Power Transmission Limited		
13,000 (Previous Year NIL) Equity shares of Rs. 10/- each fully paid up.	0.01	
Powerlinks Transmission Ltd		
229320000 (Previous year 229320000) Equity shares of Rs. 10/- each fully paid up	<u>229.32</u>	<u>229.32</u>
	<u>279.34</u>	<u>239.79</u>
	<u>291.34</u>	<u>251.79</u>
TOTAL (A)	<u>1592.83</u>	<u>1736.22</u>
B. Non-trade investments (Unquoted)		
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/-)		
TOTAL (B)		
GRAND TOTAL (A+B)	<u>1592.83</u>	<u>1736.22</u>

Note : 22,93,19,997 shares (Previous year 22,93,19,997) of Powerlinks Transmission Ltd. held by the Company have been pledged as continuous security with consortium of financial institutions against financial assistance obtained by Powerlinks Transmission Ltd.

Schedule 10 - Inventories

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
(Valuation as per Accounting policy No.11)		
Components, Spares & other spare parts		
i) Transmission Inventory		
Towers	84.96	79.74
Conductors	19.87	20.92
Other Line Materials	53.17	40.88
ii) Sub-Station Equipments/Spares	75.31	61.18
iii) HVDC Equipments / Spares	27.33	23.16
iv) ULDC Spares	2.88	1.91
v) Telecom Spares	14.47	5.63
vi) Other Stores	17.92	13.28
Consumable stores	1.04	0.96
Loose tools	0.79	0.76
	<u>297.74</u>	<u>248.42</u>
Less Provision for Shortages	0.17	0.20
	<u>297.57</u>	<u>248.22</u>

Schedule 11 - Sundry Debtors

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Debts Outstanding for a period exceeding Six Months		
Considered Good	220.37	27.07
Considered Doubtful	113.20	77.26
	<u>333.57</u>	<u>104.33</u>
Other Debts		
Considered Good	1153.19	1073.43
	<u>1486.76</u>	<u>1177.76</u>
Less: Provision for bad & doubtful debts	113.20	77.26
	<u>1373.56</u>	<u>1100.50</u>

(The debtors are unsecured except to the extent of Rs 371.83 crore (Previous year Rs. 280.03 crore) for which Letters of Credit are held by the Company from SEBs as on 31st March, 2009)

Schedule 12 - Cash and Bank Balances

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Cash, Stamps and Imprest	0.10	0.11
Drafts / Cheques in Hand	51.99	12.39
Remittance in transit	0.97	
Balances with scheduled banks-		
-In Current Accounts/Flexi deposit Account {Including Rs.1619.82 crore (Previous year Rs. 592.11 crore) lying in designated accounts meant for specific disbursement}	2125.82*	973.09*
-In Term Deposits	250.00	880.00#
	<u>2428.88</u>	<u>1865.59</u>

*Includes Rs. 2.69 crore (Previous year Rs. 5.31 crore) on account of unclaimed Dividend.

Unutilised money out of public issue.

**Schedule 13 - Other Current Assets**

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Interest accrued on:		
Investments (Bonds)	60.13	67.91
Employee loans	61.36	61.84
Term/Fixed deposits	5.44	30.34
	<u>126.93</u>	160.09
Deferred Income/Expenditure from Foreign Currency Fluctuation (Net)		234.72
Deferred Foreign Currency Fluctuation Asset/Liability (Net)	1314.96	
Others	4.39	0.36
	<u>1446.28</u>	<u>395.17</u>

Schedule 14 - Loans and Advances

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
a) Loans to		
-Employees	67.67	76.95
-Long Term Advances (Under securitisation scheme)	115.69	138.82
-Others	0.02	0.12
	<u>183.38</u>	215.89
b) Lease Receivables (State sector ULDC)	766.52	737.45
c) Advances		
Advances recoverable in cash or in kind or for value to be received		
Contractors & Suppliers	9.85	15.18
(Including Material issued on loan)		
Employees	158.18	81.70
Claims recoverable	39.27	3.09
Others	659.37	107.64
	<u>866.67</u>	207.61
Less: Provision for bad and doubtful Advances and Claims	8.90	8.91
	<u>857.77</u>	198.70
Balance with Customs, Port Trust and other authorities	29.64	22.28
Advance Tax & TDS	929.32	592.98
	<u>1816.73</u>	<u>813.96</u>
TOTAL	<u>2766.63</u>	<u>1767.30</u>
Particulars of Loans and Advances		
Secured	62.37	71.76
Unsecured Considered Good	2704.26	1695.54
Considered Doubtful	8.90	8.91
	<u>2775.53</u>	1776.21
Less: Provision for Bad & Doubtful Claims	8.90	8.91
	<u>2766.63</u>	<u>1767.30</u>
Due from Directors & Officers of the company		
Directors	0.06	0.04
Officers	14.48	16.50
Directors Maximum Amount	0.07	0.05
Officers Maximum Amount	18.64	20.27

Schedule 15 - Current Liabilities

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Sundry Creditors		
For capital expenditure	879.30	851.55
Other goods and services	<u>193.58</u>	<u>133.60</u>
	1072.88	985.15
Advance from Customers	1309.84	698.04
Deposits Retention money from contractors and others.	1082.31	850.87
Less: Investments held as security	<u>0.30</u>	<u>0.28</u>
	2391.85	1548.63
Investor Education and Protection Fund		
Un-paid (Un-claimed) matured bonds*	0.05	0.04
Unclaimed Dividend *	2.69	5.31
Deferred Foreign Currency Fluctuation Asset/Liability (Net)		119.90
Other Liabilities	1695.66	479.02
Interest Accrued But Not Due On Loans From		
Indian Banks, Financial Institutions & Corporations	31.44	37.07
Foreign Banks & Financial Institutions	67.74	71.58
Secured/Unsecured redeemable Bonds	<u>478.02</u>	<u>425.69</u>
	577.20	534.34
Deferred Income/Expenditure from Foreign Currency Fluctuation	383.04	
Total	<u>6123.37</u>	<u>3672.39</u>

* No amount is due for payment to Investor Education and Protection Fund.

Schedule 16 - Provisions

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Taxation (Including interest on Tax & FBT)		
As per last Balance Sheet	498.58	290.97
Additions during the year	<u>526.74</u>	<u>207.61</u>
	1025.32	498.58
Employee Benefits		
As per last Balance Sheet	263.77	194.48
Additions during the year	78.39	91.52
Amounts utilised/paid during the year	<u>33.77</u>	<u>22.23</u>
	308.39	263.77
Transmission incentive, special incentive & PRP		
As per last Balance Sheet	25.15	23.75
Addition during the year	85.77	25.15
Amount paid/adjusted during the year	<u>29.62</u>	<u>23.75</u>
	81.30	25.15
Provision for Wage revision		
As per last Balance Sheet	220.40	27.22
Additions during the year	<u>202.13</u>	<u>193.18</u>
	422.53	220.40

**Schedule 16 -Provisions (Contd....)**

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Proposed Final Dividend		
As per last Balance Sheet	294.62	253.82
Additions during the year	294.62	294.62
Amounts paid during the year	294.62	253.82
	<u>294.62</u>	<u>294.62</u>
Guarantee Fee to GOI		
As per last Balance Sheet	-	-
Additions during the year	7.59	-
	<u>7.59</u>	<u>-</u>
Dividend Tax		
As per last Balance Sheet	50.07	43.13
Additions during the year	50.07	50.07
Amounts paid during the year	50.07	43.13
	<u>50.07</u>	<u>50.07</u>
TOTAL	<u>2189.82</u>	<u>1352.59</u>

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

Description	(Rupees in crore)			
	As at 1st April, 2008	Additions/ Adjustments During the year	Deductions/ During the year	As at 31st March, 2009
Deferred Revenue Expenditure	7.19	0.14	1.83	5.50
TOTAL	<u>7.19</u>	<u>0.14</u>	<u>1.83</u>	<u>5.50</u>
Previous Year	12.86	23.63	29.30	7.19

Schedule 18 - Contingent Liabilities

Description	(Rupees in Crore)	
	As at 31st March, 2009	As at 31st March, 2008
Claims against the Company not acknowledged as debt in respect of		
Arbitration / Court Cases	1930.27	1117.31
Land / Crop/Tree Compensation cases	480.89	545.24
Service Tax	2041.00	-
Others	125.66	34.74
Disputed Tax Demands-Income Tax	12.22	69.36
Disputed Tax Demands-Others	160.47	189.67
Continuity Bonds with Custom Authorities	809.42	837.50
Others	114.61	113.50
Total	<u>5674.54</u>	<u>2907.32</u>

Schedule 19 - Revenue from Operations

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
Revenue from Transmission Charges (Refer Note No. 17 of Schedule 28)	5745.64	4613.83
Less: Advance Against Depreciation	<u>464.66</u>	<u>497.19</u>
	5280.98	4116.64
Add: Revenue Recognised out of AAD	<u>1.86</u>	<u>1.29</u>
	5282.84	4117.93
FERV recoverable/payable as adjustment to Transmission income (Net)	<u>889.82</u>	<u>70.59</u>
	6172.66	4188.52
Income from Short Term Open Access Consultancy, Project Management and Supervision Fees	41.42	52.73
Revenue from Telecom	215.90	250.04
	<u>153.04</u>	<u>125.51</u>
	6583.02	4616.80
Less: Inter Divisional Transfer (Telecom)	<u>3.21</u>	<u>1.98</u>
	<u>6579.81</u>	<u>4614.82</u>

Schedule 20 - Provisions Written Back

Description	(Rupees in crore)	
	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
Doubtful debts		2.81
Obsolete construction stores		3.92
Doubtful claims		1.51
Others	<u>0.04</u>	<u>0.15</u>
	<u>0.04</u>	<u>8.39</u>

Schedule 21 - Other Income

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
Dividend on Trade Investments	19.54	5.39
Interest From		
Govt. Securities		
8.5% Tax Free Bonds	118.31	133.65
Taxable Bonds	3.86	4.21
Loan to State Govt. in settlement of dues from Customers	10.82	12.13
Indian Banks [TDS 30.15 crore (Previous year 13.48 crore)]	138.27	80.55
Others	<u>38.42</u>	<u>28.04</u>
	309.68	258.58
Profit on sale of fixed assets	0.08	6.14
Deferred Income (Transferred from Grants-in-aid)	18.42	17.65
Short Term Open Access-Other Charges	20.19	21.11
Transfer from Insurance Reserve on A/c of Losses of Fixed Assets	0.04	1.65
Lease Income-State Sector ULDC	75.85	66.54
Surcharge on late payments from Customers	1.00	0.24
Hire charges for equipments	0.30	0.39
FERV gain		42.96
Miscellaneous income	<u>57.48</u>	<u>56.09</u>
	502.58	476.74
Less: Income transferred to incidental expenditure during construction-Sch 27(E)	<u>53.89</u>	<u>18.42</u>
TOTAL	<u>448.69</u>	<u>458.32</u>

**Schedule 22 - Employees' Remuneration and Benefits**

(Rupees in Crore)

Description	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
Salaries, wages, allowances & benefits	715.39	565.05
Contribution to provident and other funds	53.09	41.23
Welfare expenses	131.38	85.32
	899.86	691.60
Less: Transferred to Incidental Expenditure during Construction-Schedule 27(A)	251.79	168.95
	648.07	522.65
Less: Recoverable from MOP on account of APDRP	4.19	3.59
	643.88	519.06

Schedule 23 - Transmission, Administration and other Expenses

(Rupees in Crore)

Description	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
Repair & Maintenance		
Buildings	20.02	15.52
Plant & Machinery		
Sub Station	83.87	78.17
Transmission lines	18.96	13.16
Construction equipment		0.01
Others	25.74	17.36
	128.57	108.70
Power charges	56.75	53.47
Less: Recovery from contractors	1.59	1.72
	55.16	51.75
Expenses of Diesel Generating sets	3.21	3.51
Stores & spares consumed	0.02	0.03
Water charges	0.73	0.69
Right of Way charges(Telecom)	4.21	1.42
	211.92	181.62
Training & Recruitment expenses	11.18	6.65
Less: Fees for training and application	0.53	0.23
	10.65	6.42
Legal expenses	6.01	3.26
Professional charges	5.18	2.37
Consultancy expenses	0.85	1.37
Communication expenses	10.62	9.00
Travelling & Conveyance Expenses	56.00	49.36
Foreign travel	5.90	4.70
	61.90	54.06
Tender expenses	6.19	3.27
Less: Sale of tenders	1.83	1.03
	4.36	2.24
Remuneration to auditors (Including service Tax)		
Audit Fees	0.43*	0.10
Tax Audit Fees	0.13*	0.03
Quarterly review Fees as per SEBI	0.29*	0.05
In Other Capacity	0.24	0.10
Out of pocket Expenses	0.61	0.48
* Including arrears of ealier year	1.70	0.76

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

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
Advertisement and publicity	7.70	7.20
Printing and stationery	5.87	4.22
Books, Periodicals and Journals	3.69	3.35
EDP hire and other charges	2.99	1.96
Entertainment expenses	1.42	1.37
Brokerage & Commission	0.45	0.09
Donations	7.10	0.37
Research & Development expenses	0.50	0.34
Cost Audit Fees	0.05	0.03
Rent	5.40	4.91
Miscellaneous expenses	17.64	17.00
Horticulture Expenses	3.71	3.34
Security Expenses	39.69	29.49
Hiring of Vehicle	35.02	31.10
Insurance	11.98	9.83
Rates and taxes	18.57	20.23
Bandwidth charges, Dark fibre lease charges (Telecom) etc	9.62	6.13
Non operating expenses	0.25	0.59
Transit Accomodation Expenses	2.88	2.29
Less : Recovery for usage	0.47	0.67
	2.41	1.62
	275.33	222.65
	487.25	404.27
Less: Transferred to Incidental Expenditure during Construction-Sch. 27(B)	78.87	69.59
	408.38	334.68
Less: Recoverable from MOP on account of APDRP	0.67	0.71
	407.71	333.97
Loss on Disposal/Write off of Fixed Assets	3.90	7.45
TOTAL	411.61	341.42
Stores & spares consumption included in repair and maintenance	27.94	25.81

Schedule 24 - Provisions

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
Doubtful debts, loans and advances	35.94	1.48
GOI Guarantee Fee	7.59	
Doubtful claim		1.23
Others	2.70	1.12
TOTAL	46.23	3.83

**Schedule 25- Interest and Finance Charges**

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
Interest on Loan from		
Government of India		3.46
Indian Banks, Financial Institutions & Corporations	210.59	247.89
Foreign Banks and Financial Institutions	324.09	304.69
Secured/Unsecured redeemable Bonds	1213.64	1015.94
Interest on Land/tree Compensation	27.30	0.40
Interest u/s 234B & C	33.54	0.03
Others	3.18	21.55
	<u>1812.34</u>	<u>1593.96</u>
Add: FERV as adjustment to borrowing cost	<u>595.33</u>	<u>76.26</u>
	2407.67	1670.22
Finance Charges		
Rebate to Customers	86.31	67.64
Commitment charges	8.08	5.80
Foreign Exchange Rate Variation	1.69	0.37
Guarantee fee	106.28	61.57
Other finance charges	15.11	3.90
	<u>217.47</u>	<u>139.28</u>
	2625.14	1809.50
Less: Transferred to Incidental Expenditure during Construction-Schedule 27 (D)	631.53	469.95
FERV above domestic borrowing cost	<u>538.48</u>	
TOTAL	2532.09	1339.55

Schedule 26 - Prior Period Expenditure/(Income) (Net)

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
Income		
Revenue Recognised out of AAD	0.28	
Deferred Income on A/c of Grand in Aid	3.03	
Transmission charges	8.20	3.20
Revenue from Telecom		0.05
Depreciation written back	0.56	2.35
FERV gain		8.12
FERV recoverable/payable as adjustment to Transmission income (Net)		56.20
Depreciation written back on account of FERV		33.15
Others	10.15	5.36
	<u>22.22</u>	<u>108.43</u>
Expenditure		
Power charges	0.66	
Rates and taxes	0.24	0.21
Depreciation	22.52	2.06
Depreciation amortised due to FERV	0.91	2.05
Transmission charges written back	11.17	3.68
Telecom Revenue written back	0.38	
Transmission charges written back on a/c of FERV(Net)		10.13
FERV recoverable/payable as adjustment to Transmission income (Net)	51.02	
FERV adjustment to Borrowing cost(Net)		264.57
Others	6.20	8.22
	<u>93.10</u>	<u>290.92</u>
Prior period expenditure/(income)(Net)	70.88	182.49
Less: Transferred to Incidental Expenditure during Construction-Schedule 27	0.52	0.43
	<u>70.36</u>	<u>182.06</u>

Schedule 27 Incidental Expenditure During Construction

(Rupees in Crore)

Description		
	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
A. Employees Remuneration & Benefits		
Salaries, wages, allowances and benefits	199.62	135.90
Contribution to provident and other funds	14.02	10.07
Welfare expenses	38.15	22.98
Total(A)	251.79	168.95
B. Other Expenses		
Repairs and Maintenance		
Buildings	4.31	3.71
Others	2.33	1.36
	6.64	5.07
Power charges	5.78	5.27
Less: Recovered from contractors	1.14	1.39
	4.64	3.88
Expenses of Diesel Generating sets	0.81	1.09
Water charges	0.22	0.03
Training & recruitment Expenses	6.01	3.43
Legal expenses	1.50	1.68
Professional charges	2.42	1.22
Consultancy expenses	0.15	0.35
Communication expenses	2.68	2.84
Travelling & Conv.exp. (Including Foreign Travel)	21.06	17.31
Tender expenses	3.72	2.25
Less: Income from sale of tenders	1.75	0.66
	1.97	1.59
Payment to Auditors	1.01	0.45
Advertisement and Publicity	1.56	3.63
Printing and stationery	2.80	1.73
Books,Periodicals and Journals		1.00
EDP hire and other charges	1.06	0.73
Entertainment expenses	0.59	0.50
Brokerage and commission	0.04	0.01
Rent	1.83	1.41
Miscellaneous expenses	6.11	7.95
Horticulture Expenses	0.41	0.53
Security Expenses	4.92	4.08
Hiring of Vehicles	9.03	7.81
Insurance	0.31	0.11
Rates and taxes	0.19	0.47
Bandwidth,Dark fibre, lease charges etc	0.06	0.01
Transit Accomodation Expenses	0.86	0.69
Less : Recovery for usage	0.02	0.01
	0.84	0.68
Non Operation Expenses	0.01	
	78.87	69.59
Total(B)	78.87	69.59
Prior Period adjustment (net)	0.52	0.43
Total(BI) (including prior period)	79.39	70.02
C. Depreciation	6.90	5.36



Schedule 27 Incidental Expenditure During Construction (Contd...)

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2009	For the Year Ended 31st March, 2008
D. Interest and Finance Charges		
Interest on Loans from		
Indian Banks, Financial Institutions and Corporations	8.82	27.45
Foreign Banks and Financial Institutions	89.59	81.22
Secured/Unsecured Redeemable Bonds	282.20	336.25
Add/Less: ERV as adjustment to borrowing cost	190.47	
	<u>571.08</u>	<u>444.92</u>
Finance Charges		
Commitment charges	7.80	5.79
Guarantee fee	45.38	18.63
Other Finance Charges	7.27	0.61
	<u>60.45</u>	<u>25.03</u>
Total (D)	<u>631.53</u>	<u>469.95</u>
E. Less: Other Income		
Interest from		
Indian banks	28.43	5.93
Others	22.30	9.23
	<u>50.73</u>	<u>15.16</u>
Sub-Total	50.73	15.16
Miscellaneous income	3.16	2.99
Hire charges		0.27
Total (E)	<u>53.89</u>	<u>18.42</u>
GRAND TOTAL (A+BI+C+D-E)	<u>915.72</u>	<u>695.86</u>

Schedule 28 : NOTES ON ACCOUNTS

- 1
 - a) The company owns 4138 hectare (Previous Year 3745 hectare) of land valuing Rs.438.27crore (Previous Year Rs. 379.10 crore) which has been classified into freehold and leasehold based on available documentation.
 - b) The company's land in the State of Jammu & Kashmir amounting to Rs.18.78 crore (Previous Year Rs. 18.62 crore) and in certain other cases (value not ascertainable), the conveyancing of title to the freehold land and execution/registration of lease agreement in favour of the company is pending completion of legal formalities.
 - c) Freehold land includes Rs. 31.91 crore (previous year Rs. 31.91 crore) in respect of land acquired for residential complex at Gurgaon for which conveyance deed in favour of the Company is yet to be executed.
 - d) Leasehold land includes Rs. 7.64 crore (previous year Rs.7.64 crore) in respect of land acquired for office complex on perpetual lease basis with an unlimited useful life at Katwaria Sarai, New Delhi and hence no depreciation is charged.
- 2 Township 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.
- 3 Plant and machinery under Substation in fixed assets (Schedule No 6) includes company's share of Rs. 3.80 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.
- 4 Cash equivalent of deemed export benefits availed of Rs. 209.99 crore in respect of supplies affected for East South Inter Connector-II Transmission Project (ESI) and Sasaram Transmission Project (STP), were paid to the Customs and Central Excise Authorities in accordance with direction from Ministry of Power (Govt of India) during 2002-03 due to 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. Thereafter, World Bank had financed both the ESI project and STP as originally envisaged and they became eligible for deemed export benefits. Consequently, the company lodged claims with the Customs and Excise Authorities.

 During the year, company recovered deemed export benefits to the extent of Rs. 4.39 crore (Previous year Rs. 2.85 crore) and de-capitalized in respective assets. The cumulative amount received and de-capitalized upto 31st March 2009 is Rs. 9.85 crore (Previous year Rs. 5.46 crore). The company continued to show the balance of Rs. 200.14 crore as at 31st March 2009 (Previous year Rs 204.53 crore) in capital cost of the respective assets / projects pending receipt of the same from Customs and Excise Authorities.
- 5 Pending reconciliation, materials amounting to Rs 47.81 crore (previous year Rs. 35.26 crore) (included under stores – schedule 8) in commissioned lines is shown as construction stores lying with contractors.
- 6 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. 1st April, 1993 as mutually agreed upon terms with NHPC pending completion of legal formalities.
- 7 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 orders of Ministry of Power, Government of India (GOI). The Assets of RLDCs are being used by the company pending transfer of ownership and determination of cost of assets so taken over.
- 8 Hon'ble High Court of Karnataka has declared the Karnataka Special Tax on Entry of Certain Goods Act, 2004 as illegal and directed the concerned authority to refund the amount of Entry Tax collected since inception of the Act. The government of Karnataka has filed a writ petition before divisional bench of Hon'ble Karnataka High Court which is yet to come up for hearing. The Company capitalised Rs. 13.62 crore paid towards entry tax. The same will be decapitalised upon final resolution of the issue.
9. Service Tax is leviable on 114 services as per the list of services notified under section 65 of the Finance Act, 1994. "Transmission of Power" is not a specified service in this list. However, The Service Tax Authorities are interpreting "Transmission of Power" as taxable service under the head "Business Support Service" w.e.f 1st May 2006 given in the list of taxable services. Accordingly, the company has received Show Cause Notices from Service Tax / Central Excise

**NOTES ON ACCOUNTS (Contd..)**

Department at New Delhi and Shillong amounting to Rs. 413 crores and Rs 66 Crores respectively plus interest and penalties. In addition, the Service Tax Authorities are gathering information from other regional offices of the company. The company has sought legal opinion in the matter and is in the process of submitting its replies with the concerned authorities.

Based on the legal opinion and the fact that transmission of power is not covered in the list of taxable services under section 65 of the Finance Act, the company has not provided for the liability on account of Service Tax on transmission charges.

The estimated amount of Service Tax liability of Rs. 2041 crore (including interest of Rs. 308 Crore) for the period from 1st May, 2006 to 31st March, 2009 is shown as contingent liability for the company as a whole.

Moreover, petition has been filed with the Central Electricity Regulatory Commission (CERC) for reimbursement of service tax if levied by revenue authorities, since service tax is an Indirect Tax and is a pass through item in transmission tariff.

- 10 a) Balances in Loans and Advances, material with contractors, Sundry Creditors, Advances from customers and Sundry Debtors are subject to confirmation and consequential adjustments if any.
- 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.
- 11 Cash and Bank Balances include Rs. 30.72 crore (previous year Rs.26.74 crore) on account of tax deducted at source on perquisites to employees as per the provisions of the Income Tax Act, 1961, which was deposited in a separate bank account as per Orders of the Hon'ble Calcutta High Court.
- 12 During the year, an amount of Rs. 880 crore, being the unutilized amount outstanding as 31st March, 2008 out of Initial Public Offer (IPO), has been fully utilized for the capital expenditure on the projects specified in the offer document.
- 13 Bonds (Series XXIX) amounting to Rs. 1297.50 crore, issued during the year, have been classified as unsecured pending execution of trust deed.
- 14 Information in respect of cost plus consultancy contracts, considering the same as consultancy business in view of AS-7 on "Construction Contracts (revised 2002)".

Rs. in crore

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
i) The amount of revenue recognised on cost plus consultancy contract work	187.24	227.25
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 (Progress of work is taken as certified by engineer in charge).	As Per Policy	As Per Policy
iii) Cumulative amount of costs incurred on construction contracts	5971.40	4845.82
iv) Cumulative amount of advance received from customers	7503.97	5609.41
v) Amount of retention money with customers	39.80	15.28
vi) Gross amount due from customers for contract work as an asset	20.74	0
vii) Gross amount due to customers for contract work as a liability	856.86	300.99

- 15 a) During the year the company has continued to provide depreciation at the rates notified for the purpose of recovery of tariff, by CERC (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. However, MOP has issued

NOTES ON ACCOUNTS (Contd...)

tariff policy which provides that rates of depreciation notified by CERC would be applicable for the purpose of tariff as well as accounting.

In accordance with the Tariff Policy, CERC has notified norms for the block year 2009-14 in which depreciation @ 5.28% in first 12 years and there after amortisation of residual value over the residual life will be allowed in place of average 2.91% in the block of 2004-09. However, useful life of assets has been kept unchanged. Considering above, the rates notified under Tariff Norms 2004-09 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. 781.29 crore (previous year Rs.625.88 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 transmission assets for which rates are not specified by the CERC/competent government as stated at 15(a) above.
- 16 a) The pay revision of the employees of the company is due w.e.f 1st Jan, 2007. Pending implementation of pay revision, provision for the year Rs.202.13 crore (Previous Year Rs.193.18 crore) and up to the year Rs. 422.53 crore (previous year Rs.220.40 crore) has been made towards wage revision on an estimated basis having regard to the guidelines issued from time to time by Department of Public Enterprises (DPE), GOI. Against the above provision, adhoc advance of Rs.97.64 crore has been paid which has been included under loans and advances- Schedule no 14. In addition, payments (including arrears w.e.f 01.01.2007) amounting to Rs. 55.72 crore on account of 50% D.A merger have been made during the year which have been included in the employee cost.
- b) Further Provision for Performance Related Pay (PRP) of Rs.76.78 crore (Previous Year Nil) has been made as per DPE guidelines, as part of wage revision considering the Profit before tax which is arrived on the basis of transmission charges including reimbursement of income tax on core activity of the company which is being allowed by CERC for tariff purpose.
17. 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 was subsequently transferred to the Appellate Tribunal for Electricity (ATE) on its formation. The ATE has dismissed the appeal on the ground of its power in respect of regulations notified by CERC. Against the said dismissal order of ATE, NTPC Ltd. preferred an appeal before the Hon'ble Supreme Court impleading POWERGRID as one of the respondents. Since the subject matter of the appeal is for restoration of certain components of tariff on par with the erstwhile Government of India (GOI) norms, which will be more favourable than CERC norms, the impact of the appeal shall not result in reduction of revenue.
- The Company has followed the CERC Tariff regulations, 2001 and 2004 for recognition of revenue for block 2001-04 & 2004-09 respectively.
- b) During the year transmission income of Rs.5024.52 crore has been recognized following the tariff orders wherever issued by CERC. While in other cases transmission Income of Rs. 38.95 crore is accounted for as per tariff norms and other amendments notified by CERC in similar cases. Transmission income of Rs. 219.37 crore has been recognised as income of the year on issuance of final tariff orders by CERC in respect of provisional recognition of revenue in earlier years.
- c) In exercise of powers u/s 178 of Electricity Act 2003, CERC has notified CERC (Terms and Conditions of Tariff) Regulations 2009 vide order dt.19th January, 2009 for the determination of transmission tariff for the block year 2009-14. The norms includes the following major items:
- Return on Equity to be allowed @ 17.48% pre tax (15.5% post tax) in place of 14% post tax in the block of 2004-09.
 - Additional return on equity @0.5% if projects are completed within the time limits specified by CERC against nil in block of 2004-09.
 - Recovery of Depreciation @ 5.28% (T/L and S/S) in first 12 years and there after recovery based on residual value over the residual life in place of average 2.91% in the block of 2004-09.
 - Availability Incentives linked with monthly transmission charges instead of on equity in the block of 2004-09.



NOTES ON ACCOUNTS (Contd...)

- 18 a) (i) FERV loss (to the extent not exceeding the difference between the Interest on foreign currency borrowings and local currency borrowings) has been adjusted to borrowing cost amounting to Rs. 404.86 crore (net of Rs.190.47 crore FERV loss for the construction projects) {previous year FERV loss of Rs.76.26 crore (net of NIL FERV loss for the construction projects) } towards loan liabilities attributable to fixed assets.
- (ii) FERV loss of Rs. 967.71 crore (previous year FERV Gain Rs. 288.94 crore) has been adjusted in the respective carrying amount of Fixed Assets/Capital work in Progress (CWIP)/lease receivables.
- (iii) FERV loss of Rs. 538.48 crore (previous year FERV gain of Rs 42.96 crore) has been recognized in the profit and loss Account in respect of loans contracted on or after 1st April,2004 in terms of provisions of AS-II (revised 2003)
- b) Finance charges for the year include an amount of Rs.1.69 crore (previous year Rs. 0.37 crore) being the FERV loss on Current Assets.
19. FERV loss of Rs 889.82 crore (previous year Rs 70.59 crore) has been shown as FERV recoverable and Rs. 17.55 crore has been shown as depreciation amortisation (previous year Rs. 14.44 crore depreciation write back) as per Accounting Policy No.9.3 and 9.4. In addition Rs. 51.02 crore has been shown as FERV payable (Previous Year Rs. 56.20 crore FERV recoverable) on account of Prior Period expenditure (Previous Year income).
20. Accounting of FERV as stated in note nos. 18 and 19 above has resulted in reduction in profit for the year by Rs. 86.99 crore (previous year Rs. 156.43 crore).
21. Other Income includes Rs. 18.42 crore (previous year Rs.17.65 crore) being the amount transferred from Grants-in- Aid (received in respect of Chandrapur HVDC, NER ULDC and Salakati) as per Accounting Policy No. 3.1.
22. Effects due to changes in accounting policies during the year are as follows:
- i) In view of opinion of the expert advisory committee of The Institute of Chartered Accountants of India, the items of insurance/mandatory spares, which were hitherto capitalised, are charged off to revenue, if the year of purchase and consumption is same. The impact of change is nil since there is no such case during the year.
- ii) Mobile Phones which were hitherto amortised over the period of 4 years from the date of purchase are now being amortised in 3 years from the date of purchase in view of redefining of useful life by the competent authority. The change has resulted in decrease in profit by Rs.0.13 crore with a corresponding decrease in net block.
- iii) Assets costing up to Rs 5000, in respect of which rates are not specified in norms notified by CERC, which were hitherto capitalised are now fully depreciated in the year of acquisition. The change has resulted in decrease in profit by Rs.1.01 crore with a corresponding decrease in net block.
- iv) The ULDC assets, which were hitherto depreciated @ 6% are now being depreciated @ 6.67% with retrospective effect from the date of capitalisation of respective ULDC. The change has resulted in Prior Period Depreciation by Rs.21.38 crore, current year depreciation by Rs. 5.57 crore ,decrease in net block by Rs.26.95 crore and decrease in profit by Rs.26.95 crore.
23. Effects due to adoption of New accounting policy:
- FERV up to the date of commercial operation is charged to revenue as per AS-II (2003). However, such FERV is allowed to be included in the capital cost. A new policy no 9.4 in tune with the existing policy no. 9.3 has been adopted during the year, to nullify the impact of such FERV as 'Deferred foreign currency asset/liability a/c' in accordance with the opinion of the expert advisory committee of The Institute of Chartered Accountants of India received in financial year 2007- 2008. The adoption of this policy has resulted in neutralisation of impact of FERV Loss of Rs. 457.43 crore with a corresponding debit in 'Deferred foreign currency fluctuation asset a/c'.

NOTES ON ACCOUNTS (Contd...)

24. The company is following AS-15 (revised 2005) 'Employee Benefits' from 1st April, 2007.

Defined employee benefit schemes are as under:-

A. Provident Fund

Company pays fixed contribution to Provident Fund at predetermined rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to profit and loss a/c. The obligation of the company is limited to such fixed contribution. However, the trust is required to pay a minimum rate of interest on contributions to the members as specified by GOI. The fair value of the assets of the provident fund including the returns on the assets thereof, as on the balance sheet date is greater than the obligations under the defined contribution plan.

B. Gratuity

The company has a defined benefit gratuity plan. Every employee who has rendered continuous service of five years or more is entitled to get gratuity at 15 days salary (15/26 X last drawn basic salary plus, dearness allowance) for each completed year of service subject to a maximum of Rs. 3.50 Lacs, on superannuation, resignation, termination, disablement or on death. The scheme is funded by the company and is managed by a separate trust. The liability for the same is recognised on the basis of actuarial valuation on annual basis.

C. Leave Travel Concession (LTC)

The company has a scheme of providing Leave Travel Concession (LTC) to employees and their dependents. The scheme is unfunded and is recognised in profit and loss a/c on the basis of actuarial valuation on annual basis.

D. Post-Retirement Medical Facility (PRMF)

The company has Post-Retirement Medical Facility (PRMF), under which retired employee and the spouse are provided medical facilities in the empanelled hospitals. They can also avail treatment as Out-Patient subject to a ceiling fixed by the company. The scheme is unfunded and is recognised in profit and loss a/c on the basis of actuarial valuation on annual basis.

E. Other Defined Retirement Benefits (ODRB)

The Company has a scheme for settlement at the time of superannuation at home town for employees and dependents. The scheme is unfunded and is recognised in profit and loss a/c on the basis of actuarial valuation on annual basis.

The summarised position of various defined benefits recognized in the Profit and Loss Account, Balance Sheet and the funded status are as under:-

a) Expenses recognised in profit and loss account

(Rs in crore)

	GRATUITY		PRMF		LTC		ODRB	
	Current Year	Previous Year						
Current Service Cost	8.29	7.25	2.84	2.28	10.17	4.72	0.89	7.79
Interest cost on benefit obligation	10.04	10.06	3.71	3.73	1.17	1.25	0.55	0.57
Expected return on plan assets	-11.64	-10.1	-	-	-	-	-	-
Net actuarial (gain)/loss recognized in the year	3.27	3.75	13.20	1.18	2.12	6.06	-0.51	-7.53
Expenses recognized in the profit and loss a/c.	9.96	10.96	19.76	7.19	13.48	12.03	0.93	0.83

**NOTES ON ACCOUNTS (Contd..)**

- b) Weighted average rate of return on plan assets during the year 8.79%
 c) The amount recognized in the Balance Sheet

(Rs in crore)

	GRATUITY		PRMF		LTC		ODRB	
	Current Year	Previous Year						
Present value of obligation as at 31/03/2009(i)	160.71	143.46	71.71	53.14	19.71	16.69	8.65	7.82
Fair value of plan assets as at 31/03/2009 (ii)	159.25	130.58	-	-	-	-		
Difference (ii) – (i)	(1.46)	(12.88)	(71.71)	(53.14)	(19.71)	(16.69)	(8.65)	(7.82)
Net asset (liability) recognized in the Balance Sheet	(1.46)	(12.88)	(71.71)	(53.14)	(19.71)	(16.69)	(8.65)	(7.82)

- d) Changes in the present value of the defined benefit obligations:

(Rs in crore)

	GRATUITY		PRMF		LTC		ODRB	
	Current Year	Previous Year						
Present value of obligation as at 01/04/2008	143.47	125.86	53.14	46.63	16.69	15.61	7.82	7.10
Interest cost	10.04	10.06	3.72	3.73	1.17	1.25	0.55	0.57
Current Service Cost	8.29	7.25	2.85	2.28	10.17	4.72	0.89	7.78
Benefits paid	(4.51)	(4.33)	(1.20)	(0.68)	(10.44)	(10.95)	(0.10)	(0.10)
Net actuarial (gain)/loss on obligation	3.42	4.62	13.20	1.18	2.12	6.06	(0.51)	(7.53)
Present value of the defined benefit obligation as at 31/03/2009	160.71	143.46	71.71	53.14	19.71	16.69	8.65	7.82

- e) Changes in the fair value of plan assets:

(Rs in crore)

	GRATUITY	
	Current Year	Previous Year
Fair value of plan assets as at 01/04/2008	136.99	118.87
Expected return on plan assets	11.64	10.10
Contribution by employer	15.00	5.07
Benefits paid	(4.51)	(4.33)
Actuarial gain/(loss)	(0.15)	0.87
Fair value of plan assets as at 31/03/2009	159.25	130.58

- f) During the year the company has provided liability towards contribution to the Gratuity Trust of Rs 17.25 crore (Previous Year Rs. 12.88 crore), PRMF of Rs. 18.57 crore (Previous Year Rs. 6.51 crore) and to ODRB of Rs. 0.83 crore (Previous Year Rs. 0.72 crore).

F. Other Employee Benefits

- i. Provision for Leave encashment amounting to Rs. 38.72 crore (Previous Year Rs. 45.37 crore) for the year have been made on the basis of actuarial valuation at the year end and charged to Profit and Loss Account.
 ii. In terms of AS-15 (revised 2005) on "Employee Benefits", LTC has been accounted for on the basis of actuarial valuation. Accordingly a provision of Rs. 3.02 crore (previous year Rs. 1.08 crore) for the year has been made.

NOTES ON ACCOUNTS (Contd...)

G. Details of the Plan Asset (Gratuity)

The details of the plan assets at cost as on 31st March, 2009 are as follows:-

(Rs. in crore)

	(At Purchase Value)	
	Current Year	Previous Year
i) State Government Securities	24.74	21.59
ii) Central Government Securities	39.52	32.30
iii) Corporate Bonds/Debentures	94.97	80.02
iv) RBI Special Deposit	5.13	5.13
	164.36	139.04

H. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

- Method used - Projected unit credit (PUC)
- Discount rate - 7%
- Expected rate of return on assets (Gratuity only) – 8.50 %
- Future salary increase - 4.50%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

25. Segment Reporting

(Rs. in crore)

	Transmission		Consultancy		Telecom		ULDC/RLDC		Elimination		Total	
	Current Year	Previous Year										
Revenue:												
Revenue from Operations	6323.41	4474.91	217.54	253.29	150.05	123.86	318.00	224.08	0.00	0.00	7009.00	5076.14
Inter Segment Revenue					3.21	1.98			(3.21)	(1.98)	0.00	0.00
Net Revenue from Operations	6323.41	4474.91	217.54	253.29	153.26	125.84	318.00	224.08	(3.21)	(1.98)	7009.00	5076.14
Segment result	2129.40	1574.57	101.55	160.93	(32.12)	(17.95)	17.74	9.45			2216.57	1727.00
Unallocated Corporate interest and other income											19.55	5.39
Unallocated corporate expenses, interest and finance charges											7.55	1.86
Income tax (Net)											537.96	282.06
Profit after Tax											1690.61	1448.47
Other information:												
Segment Assets	47577.64	38299.29	175.46	49.45	850.63	764.43	2875.56	1477.00			51479.29	40590.17
Unallocated Corporate and other assets											2840.90	2636.12
Total Assets											54320.19	43226.29
Segment Liabilities:	32256.54	24999.63	1341.83	638.13	703.96	614.94	2445.11	1279.13			36947.44	27531.83
Unallocated Corporate and other liabilities											2529.31	1947.48
Total liabilities											39476.75	29479.31
Depreciation	993.29	874.53	0.22	0.20	48.52	42.93	51.94	41.99			1093.97	959.65

Note : Loss of Telecom segment has been reduced by the amount of inter segment revenue with a corresponding decrease in profit of Transmission segment.



NOTES ON ACCOUNTS (Contd...)

a) Business Segments

The company's principal business is transmission of bulk power across different States of India. However, ULDC/ RLDC, telecom and consultancy business are also treated as a reportable segment in accordance with para 27 (b) of AS-17 "Segment Reporting".

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. Consultancy allowance paid to all the employees has been considered as expense of 'Consultancy Segment'.

c) Segment Assets and Liabilities

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

d) The company has transmission projects located within the country and no geographical segment is distinguishable.

26. Related Party Disclosures:-

a) Related Parties:-

i) List of Joint Ventures:-

Powerlinks Transmission Limited, Torrent Power Grid Limited, Jaypee Powergrid Limited, Parbati Koldam Transmission Company Ltd, POWERGRID IL&FS Transmission Pvt. Ltd., Teestavalley Power Transmission Limited,

ii) Subsidiaries:-

Byrnihat Transmission Company Limited
Power System Operation Corporation Limited

iii) Key Management Personnel

Sh. S.K. Chaturvedi	Chairman and Managing Director (w.e.f. 1 st August, 2008)
Sh. S. Majumdar	Director (Projects) (held Additional Charge as CMD from 30 th May, 2008 to 31 st July, 2008)
Sh. J. Sridharan	Director (Finance)
Sh.V.M. Kaul	Director (Personnel) (w.e.f. 16 th March, 2009)
Sh. R.N.Nayak	Director (Operations) (w.e.f. 16 th May, 2009)
Dr. P.K. Shetty	Director
Dr. A.S. Narag	Director
Sh. Anil K. Agarwal	Director
Sh. F.A. Vanderavala	Director
Sh. S.C. Tripathi	Director (w.e.f. 25 th April, 2008)
Sh. Ashok Khanna	Director (w.e.f. 25 th April, 2008)
Smt. Sarita Prasad	Director (w.e.f. 4 th August, 2008)
Sh. Sudhir Kumar	Director (w.e.f. 22 nd May,2009)
Sh. Rakesh Jain	Director (w.e.f. 09 th June, 2009)
Dr. R.P. Singh	(Ceased to be CMD on 30 th May, 2008 due to resignation)
Sh. G.B. Pradhan	Director (ceased to be Director on 6 th March, 2009)
Sh. Rajesh Verma	Director (ceased to be Director on 26 th March, 2009)
Sh. I.C.P Keshari	Director (from 6 th March,2009 to 22 nd May,2009)

NOTES ON ACCOUNTS (Contd...)

b) Transactions with the related parties at a (i) above are as follows:

(Rs. in crore)

Particulars	Current year	Previous Year
Contracts for Works/Services for services received by the Company	Nil	Nil
· Transactions during the year	Nil	Nil
· Amount recoverable from related parties	Nil	Nil
· Amount payable to related parties	Nil	Nil
Contracts for Works/Services for services provided by the Company		
· Transactions during the year*	9.70	26.67
· Amount recoverable from related parties*	16.83	21.00
Dividend Received	18.35	4.19
Deputation of Employees		
· Transactions during the year	0.03	0.04
· Amount recoverable from the related parties	Nil	Nil

*This does not include transactions with respect to an agreement with Powerlinks Transmission Ltd. under which transmission charges for transmission line associated with Tala hydro electric power project are raised by Powerlinks Transmission Ltd. to the company which pay the same and collect from the respective beneficiaries.

c) Remuneration to whole time directors including chairman and managing director(including earlier CMD) is Rs. 0.45 crore (previous year Rs.0.35 crore) and amount of dues outstanding to the company as on 31st March, 2009 are Rs. 0.06 crore (previous year Rs. 0.04 crore). Director's sitting fee Rs. 0.13 crore (Previous Year Rs. 0.05 crore).

27 Employees' remuneration and benefits include the following for the directors, including chairman and managing director (including earlier CMD) and excluding arrears paid to ex-directors.

(Rs. in crore)

Particulars	Current year	Previous Year
Salaries and Allowances	0.36	0.28
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	0.03	0.02
Other benefits	0.07	0.05
Directors fees	0.13	0.05

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. 29th November, 1964 as amended.

28 Disclosures regarding leases

a) Finance Leases :-

Loans and 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 "Leases" issued by the Institute of Chartered Accountants of India.

**NOTES ON ACCOUNTS (Contd...)**

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

Particulars	Rs. in crore	
	Amount as at 31.03.2009	Amount as at 31.03.2008
Gross value of assets acquired and leased at the beginning of the year	927.96	912.88
Less : Adjustment for gross value of assets acquired prior to the beginning of the year.	<u>30.61</u>	<u>15.08</u>
Revised Gross value of the assets at the beginning of the year	958.57	927.96
Less : Capital recovery provided up to the beginning of the year	213.87	164.68
Add: Capital recovery for assets acquired prior to the beginning of the year.	<u>(1.30)</u>	<u>(0.77)</u>
Revised Capital recovery provided up to the beginning of the year	<u>212.58</u>	<u>163.91</u>
Capital recovery outstanding as on 31 st March of last financial year	745.99	764.05
Less : Capital recovery for the current year	<u>53.54</u>	<u>49.96</u>
Lease receivables	<u>692.45(*)</u>	<u>714.09(#)</u>

* Does not include additional capitalisation after the date of commercial operation in respect of ERULDC which is subject to approval of CERC.

Does not include FERV and additional capitalisation after the date of commercial operation which are subject to approval of CERC, except for NRULDC where FERV and additional capitalization, as notified by CERC vide order dated 11th April, 2008, which has been included in Lease Receivables as on 31st March, 2008.

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

Particulars	Rs. in crore	
	Amount as at 31.03.2009	Amount as at 31.03.2008
Gross investment in lease	987.40	1023.29
Unearned finance income	294.95	309.20
Present value of minimum lease payment (MLP)	692.45	714.09

Gross investment in lease and present value of minimum lease payments receivables as at 31st March, 2009 for each of the periods are as under:

Particulars	Rs. in crore			
	Gross Investment in lease		Present Value of MLPs	
	2008-09	2007-08	2008-09	2007-08
Not later than one year	108.59	101.18	57.34	53.30
Later than one year and not later than five years	434.35	404.73	274.00	250.01
Later than five years	<u>444.46</u>	<u>517.38</u>	<u>361.11</u>	<u>410.78</u>
Total :	<u>987.40</u>	<u>1023.29</u>	<u>692.45</u>	<u>714.09</u>

The unearned finance income as on 31st March, 2009 is Rs. 294.95 crore (previous year Rs. 309.20 crore).

b) Operating leases:-

The company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices and guest houses/transit camps are usually renewable on mutually agreed terms but are

NOTES ON ACCOUNTS (Contd...)

not non-cancellable. Employees' remuneration and benefits include Rs 14.36 crore (Previous Year Rs. 10.33 crore) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments of Rs 5.00 crore (Previous Year Rs. 4.55 crore). in respect of premises for offices and guest house/ transit camps are shown under Rent in Schedule-23 – Transmission, Administration and Other expenses.

29. Earning per share calculated in accordance with the provisions of AS-20

	As at 31.03.2009	As at 31.03.2008
Numerator		
Profit after tax as per Profit and Loss Account (Rs. in crore)	1690.61	1448.47
Denominator		
Number of equity shares (Face value of Rs 10/- each)	4208841230	4208841230
Number of Shares allotted during the year	NIL	421433930
Weighted Average number of equity shares for calculating Basic earning per share	4208841230	4021378772
Weighted Average number of equity shares for calculating Diluted earning per share	4208841230	4022757340
Basic earning per share (Rs. / per share)(Face value of Rs 10/- each)	4.0168	3.6019
Diluted earning per share (Rs. / per share)(Face value of Rs 10/- each)	4.0168	3.6007

30. Consolidated Financial Statements

The company has an investment of Rs.0.05 crore in the equity shares of Byrnihat Transmission Company Ltd, a subsidiary company. During the year company has subscribed Rs. 0.05 crore in the equity shares of Power System Operation Corporation Limited. No consolidated financial statements are prepared since the transactions of the subsidiaries are not material.

31. a) The company has been providing deferred tax liability after adjusting the amount recoverable from beneficiaries. During the year the company has provided Rs.44.76 crore (previous year Rs.74.45 crore) as deferred tax liability.
- b) Major components of deferred tax liabilities and assets are given as under:

Rs. in crore

Particulars	As at 31.03.2009	As at 31.03.2008
Deferred Tax Liability		
Towards Fixed Assets (Net) (A)	568.60	516.53
Deferred Tax Asset		
Transfer to Self Insurance Reserve	0.82	0.82
Income during Construction	6.81	5.67
Wage revision and Employee Benefits	17.42	12.23
Provisions	5.01	4.03
Sub Total (B)	30.06	22.75
Net Deferred Tax Liability (A-B)	538.54	493.78

32. Pursuant to the directions by the MOP, GOI vide letter dt. 4th July, 2008 the company had set up a wholly owned subsidiary company on 20th March 2009 namely "Power System Operation Corporation Limited" for independent system operation with separate accounting and Board structure. The same is considered as 'Discontinuing Operation' as per Accounting Standard 24. The RLDC/ULDC segments of the company along with associated manpower are to be transferred to the new company which will be gradually made independent after 5 years. An amount of Rs. 0.05 crore has been paid as application money towards subscription to share capital. Pending allotment of shares, amount of Rs.0.05 crore alongwith incorporation expenses of Rs. 1.27 crore has been shown as advance recoverable.

**NOTES ON ACCOUNTS (Contd...)**

Pending determination of Assets/Liabilities to be disposed off /to be settled in respect of discontinuing operations the revenue, expenses, pre tax profit or loss, Tax expense and Net Cash Flows are not ascertainable.

33. Joint Venture entities:-

Name of the company	Proportion of ownership as at	
	31.03.2009	31.03.2008
	% age	% age
Powerlinks Transmission Limited	49%	49%
Torrent Power Grid Limited	26%	26%
Jaypee Powergrid Limited	26%	26%
Parbati Koldam Transmission Company Ltd	26%	26%
Powergrid IL&FS Transmission Private Limited	50%	
Teestavalley Power Transmission Limited	26%	

In addition, the company has entered into an agreement for 26% stake in the joint venture company namely North East Transmission Company Limited. An advance of Rs. 0.01 crore has been paid to ONGC- Tripura Power Company Private Limited, its holding company, during the year towards the acquisition of 26% shares.

Under the Transmission Service Agreement (TSA) with Powerlinks Transmission Ltd, the company has an obligation to purchase the JV company (Powerlinks Transmission Ltd) at a buyout price determined in accordance with the TSA. Such an obligation may result incase JV company (Powerlinks Transmission Ltd) serves a termination notice either on "POWERGRID event of default" or on "force majeure event" prescribed under TSA. No contingent liability on this account has been considered as the same is not ascertainable.

The company's share in assets and liabilities as at 31st March 2009 and income and expenses for the year in respect of above joint venture entities based on their accounts are given below:-

	Rs. in crore	
	As at 31.03.2009	As at 31.03.2008
A. Assets		
- Long Term Assets	738.35	704.44
- Investments	63.46	33.56
- Current assets	83.20	76.20
- Profit and Loss A/C	0.45	0.33
- Misc Expenditure	0.48	0.65
Total	885.93	815.18
B. Liabilities		
- Equity	296.82	268.98
- Long Term Liabilities	535.77	511.04
- Current Liabilities and Provisions	53.34	35.16
Total	885.93	815.18
C. Contingent Liabilities	1.44	0.00
D. Capital Commitments	77.75	91.35
	Current Year	Previous Year
E. Income	131.87	125.09
F. Expenses(Including provision for taxes)	99.97	120.38

NOTES ON ACCOUNTS (Contd...)

34. In accordance with AS-28 "Impairment of Assets", 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. Similarly, impairment analysis of telecom assets was carried out during 2006-07 and since the recoverable amount was more than the carrying amount of assets, no impairment loss was recognized. In the current year, there is no indication of impairment which requires re-estimating the recoverable amount of the assets.
35. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 16418.24 crore (previous year Rs. 5495.63 crore).
36. No provision has been made for tax demands amounting to Rs. 172.69 crore (previous year Rs.259.03 crore) and other demands (amount not ascertainable), for which appeals / litigation are pending, and the same have been shown as contingent liabilities under schedule no.18.
37. 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.
- 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 to be filed with CERC and in remaining cases no reimbursement is expected.
38. a) Based on the information available with the company, there are no suppliers/service providers who are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as on 31st March, 2009.
- b) No payment is due for more than 30 days as at 31st March, 2009 in respect of purchases / services made from small scale/ancillary industries.
39. a) **VALUE OF IMPORTS CALCULATED ON CIF BASIS :**

Rs. in crore

	Current Year	Previous Year
i) Capital Goods	1126.16	243.40
ii) Spare Parts	1.02	Nil

- b) **EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)**

Rs. in crore

	Current Year	Previous Year
i) Professional and Consultancy fees	3.14	0.71
ii) Interest	341.92	326.96
iii) Others	19.16	10.69

**NOTES ON ACCOUNTS (Contd...)****c) VALUE OF COMPONENTS, STORES AND SPARE PARTS CONSUMED :**

Rs. in crore

	%	Current Year	%	Previous Year
i) Imported	5.73%	1.60	25.07%	6.47
ii) Indigenous (Including fuel)	94.27%	26.34	74.93%	19.34

d) EARNINGS IN FOREIGN EXCHANGE

Rs. in crore

	Current Year	Previous Year
Interest	0.29	0.38
Consultancy Fee	0.72	2.28

40. 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.	U40101DLI989GOI038121
State Code	55
Balance Sheet Date	31 st March 2009

ii) CAPITAL RAISED DURING THE YEAR

Rs in crore

Public Issue	Nil
Rights Issue	Nil
Private Placement, pursuant to a contract, for consideration other than cash (Issued to Govt. of India)	Nil
Bonus Issue	Nil

iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Rs in crore

Total Liabilities	54325.69
Total Assets	54325.69

Sources of funds	
Paid up Capital	4208.84
Reserves and Surplus	10414.75
Secured Loans	25288.25
Unsecured Loans	3177.18
Advance against Depreciation	2159.59
Grants in Aid	225.35
Deferred Tax Liability	538.54
Application of Funds	
Net Fixed Assets	31128.44
Capital Work-in-Progress (including Construction, Stores and Advances)	13286.00
Investments	1592.83
Net Current Assets	(0.27)
Miscellaneous Expenditure	5.50

NOTES ON ACCOUNTS (Contd...)

iv) PERFORMANCE OF COMPANY

Rs in crore

Turnover/Income	6579.85
Other Income (including Transfer from Grants in Aid)	448.69
Total expenditure	4799.97
Profit before Tax	2228.57
Profit after MAT and Deferred tax	1690.61
Earning per share (Basic) (Rs.)	4.02
Dividend Amount	505.08

v) GENERIC NAMES OF PRINCIPAL PRODUCT/SERVICE OF COMPANY

Item code no. : Not Applicable
 Product Description : Transmission, Central Transmission Utility function.

41. a) Figures have been rounded off to nearest rupees in crore.
 b) Previous year figures have been regrouped / rearranged wherever necessary.

For and on behalf of the Board

(Divya Tandon)
 Company Secretary

For A.R. & Co.
 Chartered Accountants

(Pawan K. Goel)
 Partner
 M.No. 072209

(J. Sridharan)
 Director (Finance)

For S R I Associates
 Chartered Accountants

(I. Pasha)
 Partner
 M.No. 013280

(S.K. Chaturvedi)
 Chairman & Managing Director

For Umamaheswara Rao & Co.
 Chartered Accountants

(L. Shyama Prasad)
 Partner
 M.No. 028224

Place : New Delhi.
 Dated : 16th June, 2009.



AUDITORS' REPORT

To,

The Members,

Power Grid Corporation of India Limited,

1. We have audited the attached Balance Sheet of Power Grid Corporation of India Ltd. as at March 31, 2009, 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.
2. 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.
3. The Company is governed by the Electricity Act, 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.
4. As required by the Companies (Auditor's Report) Order, 2003, read with Companies (Auditor's 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.
5. Further to our comments in the annexure referred to in paragraph 4 above, we report that:
 - a) 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.
 - 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 the books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) 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.
 - e) 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.
 - f) In our opinion and to the best of our knowledge and according to information and explanation 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 :
 - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2009.
 - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For A.R. & Co.
Chartered Accountants

(Pawan K. Goel)
Partner
M.No. 072209

For S R I Associates
Chartered Accountants

(I. Pasha)
Partner
M.No. 013280

For Umamaheswara Rao & Co.
Chartered Accountants

(L. Shyama Prasad)
Partner
M.No. 028224

Place : New Delhi.

Dated : 16th June, 2009.

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 the company has not disposed off substantial part of its Fixed Assets.
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 inventories, followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company has maintained proper records of inventory. The 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.
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 activities. 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 Internal Audit are commensurate with the size and nature of its business.
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 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 31.3.2009 for a period of more than six months from the date they became payable.
As informed, the provisions of the Employees State Insurance Act are not applicable to the Company.
Unclaimed bonds of Rs. 0.05 crore and unclaimed dividend of Rs. 2.69 crore which has not exceeded the time limit prescribed under Section 205C of the Companies Act, 1956 are lying as liability towards Investor Education & 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	1.54	Appellate Board, Commercial Tax Department, Madhya Pradesh
Entry Tax	43.59	Dy. Commissioner (Appeals), Commercial Tax Department, Madhya Pradesh
Sales Tax	18.80	Assistant Commissioner, Commercial Tax Department, Madhya Pradesh
Education Cess	1.21	Dehgam Nagar Palika, Dehgam

**ANNEXURE TO THE AUDITORS' REPORT (Contd...)**

Diversion Tax (for non-agriculture use of land)	2.22	S D O, Itarsi
Entry Tax	14.95	Chattisgarh Sthaniya Kshetra Me Mal Ke Pravesh par Kar Adhiniyam, Dept. of Commercial Taxes, Chattisgarh
Sales Tax	33.46	J&K State Sales Tax Appellate Tribunal
Sales Tax	12.98	Dy. Commissioner of Sales Tax (Appeal), Jammu, J&K State
Entry tax	11.41	Joint Commissioner of Commercial Tax (Appeal), Patna
Service Tax	1.57	Commissioner of Central Excise, Patna
Interest on custom/ Excise duty	16.43	Commissioner of Customs & Central Excise, Peetampur & Mumbai
Service Tax	2.31	Custom, Excise & Service Tax Appellate Tribunal (CESTAT), New Delhi
Income Tax (TDS) on perquisites	30.72	High Court, Kolkata
Income Tax & Interest	12.22	Commissioner of Income Tax (Appeals)

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.
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. Accordingly, Clause xiii of paragraph 4 of the Order is not applicable.
14. In our opinion, the Company is not dealing in or trading in shares, debentures, and other investments. Accordingly, Clause xiv of paragraph 4 of the Order is not applicable.
15. As informed to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions, except in the case of Powerlinks Transmission Limited, wherein it has pledged its shares 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 and to the best of our information and according to explanation given to us, 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 the term loans for the purpose, they were raised 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 XXIX Series of Bonds aggregating to Rs. 1297.50 crore issued during the year for which securities or charge have not been created till the finalization of the financial statements.
20. We have verified the end use of money raised by public issue during the year 2007-08 as stated in the prospectus filed with SEBI , offer document and as disclosed in the notes to the financial statements .
21. During the course of our examination of books and records of the company for the year, 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.

For A.R. & Co.
Chartered Accountants

(Pawan K. Goel)
Partner
M.No. 072209

For S R I Associates
Chartered Accountants

(I. Pasha)
Partner
M.No. 013280

For Umamaheswara Rao & Co.
Chartered Accountants

(L. Shyama Prasad)
Partner
M.No. 028224

Place : New Delhi.
Dated : 16th June, 2009.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2009

	(Rupees in crore)	
Particulars	For the year ended 31st March, 2009	For the year ended 31st March, 2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	2228.57	1730.53
Adjustment for :		
Depreciation (including prior period)	1115.93	959.36
Transfer from Grants in Aid	(21.45)	(17.65)
Adjustment against General Reserve	-	(14.72)
Amortised Expenditure(DRE written off)	1.83	5.43
Provisions	38.60	(4.56)
Self Insurance	(0.04)	(1.65)
Net Loss on Disposal / Write off of Fixed Assets	3.82	1.31
Interest and Finance Charges Paid	2532.09	1339.55
Interest earned on bonds/Loans to State Governments	(132.99)	(149.99)
Dividend received	(19.54)	(5.39)
Operating profit before Working Capital Changes	<u>5746.82</u>	<u>3842.22</u>
Adjustment for :		
(Increase)/Decrease in Trade and other Receivables	153.52	(112.01)
(Increase)/Decrease in Inventories	(49.32)	(64.10)
Increase/(Decrease) in Trade payables and other liabilities	2811.57	(65.53)
(Increase)/Decrease in Other current assets	(1051.11)	(248.14)
(Increase)/Decrease in Loans and Advances	(816.23)	(139.70)
Deferred Revenue Expenditure	(0.14)	-
	<u>1048.29</u>	<u>(629.48)</u>
Direct taxes paid (including FBT)	(154.02)	(221.91)
Net Cash from operating activities	<u>6641.09</u>	<u>2990.83</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets (including incidental expenditure during construction)	(770.82)	261.01
Capital work in progress	(5352.89)	(5997.93)
Advances for capital expenditure	(3299.89)	(77.22)
(Increase)/Decrease in Investments - Bonds and others	182.89	241.13
(Increase)/Decrease in investments -JVs and Subsidiaries	(39.50)	(10.35)
Lease receivables	(29.07)	84.67
Interest earned on bonds/Loans to State Governments	132.99	149.99
Dividend received	19.54	5.39
Net cash used in investing activities	<u>(9156.75)</u>	<u>(5343.31)</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Shares - Capital	-	382.62
Proceeds from issue of Shares - Premium	-	1607.01
Share issue expenses	-	(23.63)
Loans raised during the year - Long Term	7629.85	4118.71
Loans repaid during the year - Long Term	(1427.89)	(1180.73)
Loans raised during the year - Short Term	750.00	750.00
Loans repaid during the year - Short Term	(750.00)	(750.00)
Interest and Finance Charges Paid	(2532.09)	(1339.55)
Dividend paid	(505.08)	(464.28)
Dividend Tax paid	(85.84)	(78.90)
Net Cash from Financing Activities	<u>3078.95</u>	<u>3021.25</u>
D. Net change in Cash and Cash equivalents(A+B+C)	<u>563.29</u>	<u>668.77</u>
E. Cash and Cash equivalents(Opening balance)	<u>1865.59</u>	<u>1196.82</u>
F. Cash and Cash equivalents(Closing balance)	<u>2428.88</u>	<u>1865.59</u>

Note : Cash and cash equivalents consist of cash in hand and balance with banks and it includes Rs. 1619.82 crore not available for use by the Company.

(Divya Tandon) Company Secretary For A. R. & Co. Chartered Accountants (Pawan K. Goel) Partner M.No. 072209	For and on behalf of the Board (J.Sridharan) Director(Finance) As per our report of even date For S R I Associates Chartered Accountants (I. Pasha) Partner M.No. 013280	(S.K.Chaturvedi) (Chairman & Managing Director) For Umamaheswara Rao & Co Chartered Accountants (L. Shyama Prasad) Partner M.No. 028224
---	--	---

Place : New Delhi
Date : 16th June, 2009

When the India of today charges up for the challenges of tomorrow,



IT'S POWERGRID AT WORK

Indian Giant in Power Transmission

In a country that is making its presence felt in the international canvas, POWERGRID is making a significant impact with its all round expertise in the field of power transmission. Consultancy services, collaborations and adoption of advanced technologies towards environment protection have made POWERGRID a front-runner in India's stride to the future.

Power of being
Central Transmission
Utility (CTU)
of the country.

One of the Largest &
Best Managed
Transmission Utilities
in the world.

Wheels 45%
of the Power
Generated
in India.

Environmental social
policy & procedures
for sustainable
growth.

Role in GOI's
nation building
schemes APDRP
and RGGVY.

Growth in inter region
power transmission.

Robust Network of
71,500 ckm lines.

Incredible Transmission System
Availability of over 99%

Diversification in
Telecom Sector.

www.powergridindia.com



Subsidiary

The Central Transmission utility of India

**BYRNIHAT TRANSMISSION COMPANY LIMITED****DIRECTORS' REPORT**

To,

The Members,

I, on behalf of the Board of Directors, present the Third Directors' Report of BYRNIHAT TRANSMISSION COMPANY LIMITED together with the audited Statement of Accounts for the financial year 2008-09.

Your Company had been incorporated on 23rd March, 2006 as a Project specific 'SHELL COMPANY' to take up the implementation of Misa – Byrnihat Transmission Project through Joint Venture route. The said Transmission Line is being executed by POWERGRID as a consultancy work. Presently Byrnihat Transmission Company Limited is not undertaking any business activity.

The Company has not applied for the Certificate of Commencement of Business.

Directors

During the year few changes took place in the Board of the Company. Shri S.K. Soonee who was appointed as an additional Director on the Board of Byrnihat Transmission Company Ltd., ceased to be a Director w.e.f. 17.09.2008 at the conclusion of the Annual General Meeting of the Company. Shri V.M. Kaul was appointed as an additional Director on the Board of Byrnihat Transmission Company Ltd. w.e.f. 17.09.2008.

At present, Shri J.Sridharan, Shri I.S. Jha and Shri V.M. Kaul are on the Board of the Company.

Auditors

Naresh K. Gupta & Co., Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the Company for the year 2008-2009.

Auditor's Report

The Statutory Auditor's Report to the shareholders does not contain any qualifications. Further, the Comptroller and Auditor General of India has decided not to review the Report of the Auditor on the Accounts of the Company and as such C&AG has no comments under Section 619(4) of the Companies Act, 1956.

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, 2009 the applicable accounting standards had been followed;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgements 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, 2009 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 Earning & Outgo

Since no commercial activity was carried out by the Company, particulars 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.

For and on behalf of

BYRNIHAT TRANSMISSION COMPANY LIMITED

Sd/-

(J. Sridharan)

Director

Date : 27.07.2009

Place: New Delhi

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BYRNIHAT TRANSMISSION COMPANY LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2009

The preparation of financial statements of Byrnihat Transmission Company Limited, New Delhi, for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 07 July, 2009.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the statutory auditors on the accounts of Byrnihat Transmission Company Limited, New Delhi, for the year ended 31 March, 2009 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller & Auditor General of India

Sd/-

(Ghazala Meenai)

Principal Director of Commercial Audit
and Ex-officio Member Audit Board-III,
New Delhi

Place : New Delhi

Date : 20th July, 2009



BYRNIHAT TRANSMISSION COMPANY LIMITED

**BALANCE SHEET AS AT
31ST MARCH, 2009**

(Amount in Rs.)			
Schedule	As at 31st March, 2009	As at 31st March, 2008	
SOURCES OF FUNDS			
1. Shareholders' Funds			
Share Capital	1	500,000	500,000
TOTAL		<u>500,000</u>	<u>500,000</u>
APPLICATION OF FUNDS			
2. Current Assets, Loans and Advances			
Current Assets			
Cash & Bank Balances	2	498,025	498,575
Less : Current Liabilities & Provisions			
Current Liabilities	3	<u>83,573</u>	<u>68,781</u>
Net Current Assets		414,452	429,794
3. Miscellaneous Expenditure			
(To the extent not written off or adjusted)	4	-	70,206
4. Profit & Loss Account			
TOTAL		<u>85,548</u>	<u>-</u>
Significant Accounting Policies and Notes forming part of Accounts	6		
(Schedule 1 to 6 form integral part of Accounts)			

As per our report of even date

For **NARESH K. GUPTA & CO.**
Chartered Accountants

For and on behalf of Board of Directors

(Nitin Gupta)
Partner
M. No. 096295**(J. Sridharan)**
Director**(I. S. Jha)**
DirectorPlace : New Delhi
Date : 07.07.2009

BYRNIHAT TRANSMISSION COMPANY LIMITED
**PROFIT & LOSS ACCOUNT FOR THE
YEAR ENDED 31ST MARCH, 2009**

(Amount in Rs.)			
	Schedule	For the Year ended 31.03.2009	For the Year ended 31.03.2008
INCOME		-	-
TOTAL		-	-
EXPENSES			
Administrative Expenses	5	14,792	-
Bank Charges		550	-
Preliminary Expenses written off		33,555	-
Pre-operative Expenses (of earlier years) written off		36,651	-
TOTAL		85,548	-
Profit / (Loss) for the year before tax		(85,548)	-
Provision for Current Income Tax		-	-
Profit / (Loss) after Tax		(85,548)	-
Appropriations		-	-
Balance transferred to Balance Sheet		(85,548)	-
Earning Per Share		(1.71)	
(Face Value of Rs. 10/- per share)			
Significant Accounting Policies and Notes forming part of Accounts (Schedule 1 to 6 form integral part of Accounts)	6		

As per our report of even date

 For **NARESH K. GUPTA & CO.**
Chartered Accountants

For and on behalf of Board of Directors

(Nitin Gupta)
Partner
M. No. 096295

(J. Sridharan)
Director

(I. S. Jha)
Director

 Place : New Delhi
Date : 07.07.2009



BYRNIHAT TRANSMISSION COMPANY LIMITED

SCHEDULES - FORMING PART OF ACCOUNTS

(Amount in Rs.)

	As at 31st March, 2009	As at 31st March, 2008
SCHEDULE '1'		
SHARE CAPITAL		
Authorised		
50,000 equity shares of Rs. 10/- each	<u>500,000</u>	<u>500,000</u>
Issued, Subscribed & Paid-up		
50,000 equity shares of Rs. 10/- each fully paid up.	<u>500,000</u>	<u>500,000</u>

(Amount in Rs.)

	As at 31st March, 2009	As at 31st March, 2008
SCHEDULE '2'		
Cash & Bank Balances		
Balance with Scheduled Bank- in Current Account	<u>498,025</u>	<u>498,575</u>
	<u>498,025</u>	<u>498,575</u>

(Amount in Rs.)

	As at 31st March, 2009	As at 31st March, 2008
SCHEDULE '3'		
Current Liabilities		
a. Power Grid Corp. of India Ltd.	71,931	55,209
b. Statutory Audit Fees	11,030	11,236
c. Other Liabilities	<u>612</u>	<u>2,336</u>
	<u>83,573</u>	<u>68,781</u>
	<u>83,573</u>	<u>68,781</u>

BYRNIHAT TRANSMISSION COMPANY LIMITED
Schedules - Forming part of Accounts

(Amount in Rs.)

	As at 31st March, 2009	As at 31st March, 2008
SCHEDULE '4'		
MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
a. Preliminary Expenses	-	33,555
b. Pre-operative Expenses	-	36,651
	<u>-</u>	<u>70,206</u>

(Amount in Rs.)

	As at 31st March, 2009	As at 31st March, 2008
SCHEDULE '5'		
ADMINISTRATIVE EXPENSES		
Audit Fees	11,030	11,236
ROC Filing Fees	3,150	1,224
Provision for Filing Fee	612	612
Out of Pocket Expenses of Statutory Auditors	-	2,000
	<u>14,792</u>	<u>15,072</u>



BYRNIHAT TRANSMISSION COMPANY LIMITED

SCHEDULES - FORMING PART OF ACCOUNTS

SCHEDULE '6'

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 23rd March, 2006 and certificate of commencement of business has not been obtained so far.
2. The Company is governed by the Electricity Act, 2003 and that the said Act read with rules framed there-under have prevailed wherever the same were inconsistent with the Companies Act, 1956.
3. 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.

4. Related Party Disclosures

- i. As per the Accounting Standard on 'Related Party Disclosure' (AS-18) issued by the Institute of Chartered Accountants of India, the related parties are as follows:

Holding Company

- i. The Company is a 100% subsidiary of **Power Grid Corporation of India Limited** (POWERGRID)
- ii. During the year, expenditure of Rs. 16722/- (previous year Rs. 13236/-) has been paid by POWERGRID on behalf of the Company. Amount payable to POWERGRID at the end of the year is Rs. 71931/- (previous year 55209/-).
5. In view of withdrawal of Guidance Note on "Treatment of Expenditure during Construction Period" by the Institute of Chartered Accountants of India, the Company has charged the preliminary expenses and pre-operative expenses to the Profit and Loss Account.
6. There are no contingent liabilities.
7. All figures have been rounded off to the nearest rupee.
8. Previous year figures have been re-grouped / re-arranged wherever necessary.

As per our report of even date

For **NARESH K. GUPTA & CO.**
Chartered Accountants

For and on behalf of Board of Directors

(Nitin Gupta)
Partner
M. No. 096295

(J. Sridharan)
Director

(I. S. Jha)
Director

Place : New Delhi
Date : 07.07.2009

BYRNIHAT TRANSMISSION COMPANY LIMITED
**BALANCE SHEET ABSTRACT AND
COMPANY'S GENERAL BUSINESS PROFILE**

I. Registration Details			
Registration No. U40102DL2006GOI147937		State Code : 055	
Balance Sheet Date	31	3	09
	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	584	Total Assets	584
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 Assets	414	Misc. Expenditure	0
Accumulated Losses	86		
IV. Performance of Company (Amount in Rs. Thousands)			
Turnover	NIL	Total Expenditure	86
Profit/Loss before Tax	(86)	Profit/Loss after Tax	(86)
Earning per Share in Rs.	(1.71)	Dividend Rate %	NIL
V. Generic Name of three principal Product/Services of Company (As per monetary norms)			
Item Code No.	N.A.		
(ITC) Code			
Product Description	N.A.		

As per our separate report of even date

For **NARESH K. GUPTA & CO.**
Chartered Accountants

For and on behalf of Board of Directors

(Nitin Gupta)
Partner
M. No. 096295

(J. Sridharan)
Director

(I. S. Jha)
Director

Place : New Delhi
Date : 07.07.2009

**BYRNIHAT TRANSMISSION COMPANY LIMITED****AUDITOR'S REPORT**

To the Members of

BYRNIHAT TRANSMISSION COMPANY LIMITED

1. We have audited the attached Balance Sheet and Profit and Loss Account of M/S BYRNIHAT TRANSMISSION COMPANY LIMITED as at 31st March 2009. These Financial Statement are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order 2003 read with Companies (Auditor's 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 para 4 and 5 of the said order.
4. Further to above:
 - A. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - B. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - C. The Balance Sheet and the Profit & Loss Account, dealt with by this report, are in agreement with the books of account.
 - D. In our Opinion, the Balance Sheet and Profit and Loss Account dealt with this report comply with the mandatory accounting standards referred to in sub section 3 (c) of section of 211 of the Companies Act, 1956.
 - E. Being a Government company, pursuant to the notification no GSR 829(E) issued by Government of India provisions of clause (g) of sub section (1) of section 274 of the Companies Act, 1956, are not applicable to the company.
 - F. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and Notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India :
 - i. In so far it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009
 - ii. In the case of Profit and Loss Account, of the loss of the Company for the year ended on 31st March, 2009

For **NARESH K. GUPTA & CO.**
Chartered Accountants

(NITIN GUPTA)
Partner
Membership No. 096295

Date : 07.07.2009
Place : New Delhi

BYRNIHAT TRANSMISSION COMPANY LIMITED

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Auditor's Report of even date on the accounts of Byrnihat Transmission Company Limited for the year ended 31st March, 2009

1. The Company does not own any Fixed Assets and hence 4(i)(a), 4(i)(b), 4(i)(c) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
2. The Company does not have inventory and hence 4(ii)(a), 4(ii)(b), 4(ii)(c) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
3.
 - a. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - b. In view of clause III(a) above, clauses 4(iii)(b), 4(iii)(c), 4(iii)(d) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
 - c. The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - d. In view of clause III(c) above, clauses 4(iii)(f), 4(iii)(g) of companies (Auditor Report) (Amendment) Order, 2004 are not applicable to the company.
4. Since there are no Fixed Assets and Inventory the clause 4(iv) of Companies (Auditor Report)(amendment) Order, 2004 is not applicable to the Company.
5.
 - a. According to the information & explanation given to us, during the year under Audit, there have been no particulars of contracts or arrangement referred to in section 301 of the Companies Act, 1956, which needs to be entered in the register required to be maintained under that section.
 - b. In view of the clause 5(a) above, the clause 4(v)(b) of Companies (Auditor Report)(amendment) Order, 2004 is not applicable to the Company.
6. The Company has not accepted any deposits from the public and in view of this, clause 4(vi) of Companies (Auditor's Report)(Amendment) Order, 2004 is not applicable to the Company.
7. According to the information & explanation given to us, the Company did not have an internal audit system in place for the financial year 2008-09.
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 undisputed statutory dues including Income tax, Sales tax, Wealth tax, Service tax, Excise duty, Customs duty, Cess and any other statutory dues wherever applicable have been regularly deposited by the Company with appropriate authorities.
 - b. According to the information & explanation given to us, there are no dues of Sales tax, income tax, Customs duty, Wealth tax, Service tax, Excise duty and Cess which have been deposited on account of any dispute.
10. The Company has been registered for a period of less than 5 years up to the last day of financial year 2004-05. In view of this, clause 4(x) of Companies (Auditor's Report) (Amendment) Order, 2004 is not applicable to the Company.
11. Since, the Company does not have any borrowing clause 4(xi) of Companies (Auditor's Report) (amendment) Order, 2004 is not applicable to the Company.
12. According to the information and explanations given to us, the Company has not granted loans & advances on the basis of security by way of pledge of shares, debentures & other securities.
13. In our opinion, the company is not a Chit Fund or a nidhi / mutual benefit fund / Society. Therefore the provisions of clause 4(xiii) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.



14. The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore the Provisions of clause 4(xiv) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. Since the Company has taken no loans, clause 4(xvi) of Companies (Auditor's Report) (Amendment) Order, 2004 is not applicable to the Company.
17. Since the company has not raised any funds during the year clause 4(xvii) of Companies (Auditor's Report) (Amendment) Order, 2004 is not applicable to the Company.
18. According to the information and explanations given to us, the Company has not made any preferential allotment to parties or companies covered in the register maintained under section 301 of the Act during financial year 2008-09.
19. According to the information and explanations given to us, the Company has not issued any debentures during financial year 2008-09 and therefore the Provisions of clause 4(xix) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
20. According to the information and explanations given to us, the Company has not raised any money by way of Public Issue during financial year 2008-09.
21. According to the information and explanations given to us, no fraud on or by the Company causing a material misstatement in the Financial Statements, has been noticed or reported during the financial year 2008-09.

For **NARESH K. GUPTA & CO.**
Chartered Accountants

(NITIN GUPTA)
Partner

Membership No. 096295

Date : 07.07.2009
Place : New Delhi

BYRNIHAT TRANSMISSION COMPANY LIMITED
**CASH FLOW STATEMENT FOR THE
YEAR ENDED ON 31ST MARCH, 2009**

(Amount in Rs.)

PARTICULARS	For the Year ended 31.03.2009	For the Year ended 31.03.2008
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit / (Loss) Before Tax	(85,548)	-
Adjustments for :		
Preliminary Expenses written off	33,555	-
Pre-operative Expenses (of earlier years) written off / Pre-operative Expenses	36,651	(15,697)
Operating profit before Working Capital Changes	(15,342)	(15,697)
Adjustments for :		
Increase in Current Liabilities	14,792	15,072
Net Cash from Operating Activities	(550)	(625)
B. CASH FLOW FROM INVESTING ACTIVITIES	-	-
C. CASH FLOW FROM FINANCING ACTIVITIES	-	-
D. Net Change in Cash and Cash Equivalents (A+B+C)	(550)	(625)
E. Cash and Cash Equivalents (Opening Balance)	498,575	499,200
F. Cash and Cash Equivalents (Closing Balance)	498,025	498,575

For NARESH K. GUPTA & CO.

Chartered Accountants
(Nitin Gupta)
Partner
M. No. 096295

For and on behalf of Board of Directors

(J. Sridharan)
Director

(I S Jha)
Director

Place : New Delhi
Date : 16.07.2009

Place : New Delhi
Date : 07.07.2009



BYRNIHAT TRANSMISSION COMPANY LIMITED

AUDITOR'S REPORT

To the Members of

BYRNIHAT TRANSMISSION COMPANY LIMITED

In furtherance to our Audit Report dated 07.07.2009 we state that :

- 1 We have audited the attached Cash Flow Statement, of M/S. BYRNIHAT TRANSMISSION COMPANY LIMITED for the year ended on 31st March 2009. 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.
- 2 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 statement is free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3 Further to above :
 - A. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - B. The Cash Flow Statement , dealt with by this report , is in agreement with the books of account.
 - C. In our opinion, the Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred to in sub section 3 (c) of section 211 of the Companies Act, 1956.
 - D. In our opinion and to the best of our information and according to the explanations given to us , the said accounts read with significant accounting policies and Notes thereon 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 Cash Flow Statement , of the Cash Flows of the Company for the year ended on 31st March, 2009.

For **NARESH K. GUPTA & CO.**
Chartered Accountants

(NITIN GUPTA)
Partner
Membership No, 096295

Dated : 16.07.2009
Place : New Delhi

