



पावरग्रिड

# ANNUAL REPORT 2010-2011



*Transmitting the Rhythm of Progress*

[www.powergridindia.com](http://www.powergridindia.com)

# Mission

“ Establishment and Operation of Regional and National Power Grids to facilitate transfer of electric power within and across the regions with Reliability, Security and Economy, on sound commercial principles.”

## Objectives

The Corporation has set following objectives in line with its Mission and its status as “Central Transmission Utility” to:

- Undertake transmission of electric power 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 Power Committees;
  - vi. Authority;
  - vii. Licensees;
  - viii. Any other person notified by the Central Government in this behalf.
- To ensure development of an efficient, co-ordinated and economical system of inter-State transmission lines for smooth flow of electricity from generating stations to the load centres.
- Efficient Operation and Maintenance of Transmission systems.
- Restoring power in quickest possible time in the event of any natural disasters like super cyclone, flood etc. through deployment of Emergency Restoration Systems.
- Provide consultancy services at national and international level in transmission sector based on the in-house expertise developed by the organisation.
- Participate in long distance telecommunication business ventures.
- Ensure principles of Reliability, Security and Economy matched with the rising/desirable expectation of a cleaner, safer, healthier Environment of people, both affected and benefited by its activities.

## Values

- ❖ Zeal to excel and zest for change
- ❖ Integrity and fairness in all matters
- ❖ Respect for dignity and potential of individuals
- ❖ Strict adherence to commitments
- ❖ Ensure speed of response
- ❖ Foster learning, creativity and team-work
- ❖ Loyalty and pride in POWERGRID

## PowerTel

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

- Established Broadband Telecom Network of about 22,000 kms connecting over 110 cities on extensively spread Transmission Infrastructure.
- Only utility in the Country having overhead optic fibre on its Extra High Voltage Transmission Network.
- POWERGRID Telecom Network
  - Sturdy & Secure
  - Free from rodent menace and vandalism.
- Network has multiple self resilient rings for complete redundancy in backbone as well as intra-city access networks.
- To offer Total Solutions and to meet specific needs of the customers.
- Reliability of Telecom Network 99.99%
- Bandwidth capacity available on all the metros & major cities.
- 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)



## NOTICE

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of Power Grid Corporation of India Limited will be held on **Monday, the 19<sup>th</sup> September, 2011 at 11.00 a.m. at “NDCM Talkatora Indoor Stadium, Talkatora Garden, Park Street, New Delhi - 110 001”** to transact the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March, 2011 and Profit and Loss Account for the financial year ended on that date together with Report of the Board of Directors and Auditors thereon.
2. To note the payment of Interim Dividend and declare Final Dividend for the Financial Year 2010-11.
3. To appoint a Director in place of Shri V. M. Kaul, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Rakesh Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To fix the remuneration of the Auditors for the Financial Year 2011-12.

**By order of the Board of Directors**

  
(Divya Tandon)

**Company Secretary**

Regd. Office:  
B-9, Qutab Institutional Area,  
Katwaria Sarai, New Delhi.  
Pin:-110 016.

Date: 04.08.2011



## NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies, in order to be effective must be lodged with the Company not less than 48 hours before the commencement of the Annual General Meeting, i.e., latest by **11.00 a.m. on Saturday, the 17<sup>th</sup> September, 2011**. Blank proxy form is enclosed.

2. As required by clause 49 of the Listing Agreement entered into with the Stock Exchanges the relevant details of Shri V. M. Kaul and Shri Rakesh Jain, Directors retiring by rotation and seeking re-appointment under Item No. 3 and 4 aforesaid in accordance with applicable provisions of the Articles of Association of the Company as well as those director(s) who have been appointed since the last Annual General Meeting, is also annexed. The tenure of Shri V. M. Kaul is up to 31<sup>st</sup> March, 2012 and the tenure of Shri Rakesh Jain is as per terms of his appointment by the Government of India.
3. None of the Directors of the Company is any way related with each other.
4. Members are requested to:-
  - (i) Note that copies of Annual Report will not be distributed at the Annual General Meeting.
  - (ii) Bring their copies of Annual Report, Notice and Attendance Slip duly completed and signed at the meeting.
  - (iii) Deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Hall will be strictly on the basis of the entry slip available at the counter at the venue to be exchanged with the attendance slip. Photocopies of Attendance Slip will not be entertained for issuing entry slip for attending Annual General Meeting.
  - (iv) Quote their Folio/Client ID & DP ID Nos. in all correspondence.
  - (v) Note that due to strict security reasons mobile phones, brief cases, eatables and other belongings are not allowed inside the Auditorium.
  - (vi) Note that no gifts/coupons will be distributed at the Annual General Meeting.
5. Corporate Members are requested to send a duly certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 8<sup>th</sup> September, 2011 to 19<sup>th</sup> September, 2011 (both days inclusive). The final dividend on equity shares, as recommended by the Board of Directors, subject to the provisions of Section 206A of the Companies Act, 1956, if declared at the Annual General Meeting, will be paid on 7<sup>th</sup> October, 2011.
7. The Board of directors in its meeting held on 8<sup>th</sup> February, 2011 had declared an interim dividend @ 5% on the paid-up equity share capital of the Company which was paid on 24<sup>th</sup> February, 2011. Members who have not received or not encashed their dividend warrant may approach Karvy Computershare Private Limited, Registrar and Transfer Agent of the Company, for revalidating the warrant or for obtaining duplicate warrant. The Board had further recommended a Final Dividend @ 12.50% on the paid-up equity share capital of the Company at its meeting held on 24<sup>th</sup> May, 2011. The dividend, if declared at the Annual General Meeting will be paid on 7<sup>th</sup> October, 2011 to those Members, whose names appear on the Register of Members of the Company as on 19<sup>th</sup> September, 2011 in respect of physical shares. However, in respect of shares held in dematerialised form, the dividend will be payable to those persons whose names appear as beneficial owners as at the closure of the business hours on or before 7<sup>th</sup> September, 2011 as per details to be furnished by the depositories.
8. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amounts which remain unpaid/unclaimed for a period of seven years, are required to be transferred to the Investors Education & Protection Fund of the Central Government. After such transfer, there remains no claim of the members whatever on the said amount. Members are advised to encash their Dividend warrants immediately on receipt.
9. Members are advised to submit their Electronic Clearing System (ECS) mandates to enable the company to make remittance by means of ECS. Those holding shares in Electronic Form may obtain and send the ECS Mandate Form directly to their Depository Participant (DP). Those holding shares in physical form may obtain and send the ECS mandate form to Karvy Computershare Private Limited, the Registrar & Transfer Agent of the company. Those who have already furnished the ECS Mandate Form to the Company/Depository Participant/Registrar & Transfer Agent with complete details need not send it again.

The shareholders who do not wish to opt for ECS facility may please mail their bankers' name, branch address and account number to Karvy Computershare Private Limited, Registrar & Share Transfer Agent of the Company to enable them to print these details on the dividend warrants.
10. Members holding shares in multiple folios in physical mode are requested to apply for consolidation to the Company or its Registrar & Transfer Agent along with relevant Share Certificates.

11. Pursuant to Section 619(2) of the Companies Act, 1956 the auditors of the Government Company are to be appointed or reappointed by the Comptroller & Auditor General of India (C&AG) and in terms of Section 224(8)(aa) the remuneration has to be fixed by the company in the Annual General Meeting or in such manner as the Company in General Meeting may determine. The Auditors for the Financial Year 2011-12 are to be appointed by the Comptroller & Auditor General of India (C&AG). Approval of the Members of the Company is required to authorize the Board of Directors of the Company to approve the remuneration of the Statutory Auditors/Joint Statutory Auditors of the Company appointed by C&AG, for the Financial Year 2011-12, as the Board may deem fit. Members are informed that in terms of the authorization by the members to the Board of Directors of the Company, in the last Annual General Meeting of the Company, your Board of Directors approved the remuneration of ₹32.40 lakhs plus applicable taxes for the Statutory Audit and supplementary report under Section 619(3) of the Companies Act, 1956; in addition, ₹2.25 lakhs plus applicable taxes for Statutory Audit of Consolidated Financial Statement as per the requirement of AS-21 & AS-27; and reimbursement of actual travelling and out of pocket expenses, to the three Joint Statutory Auditors for the Financial Year 2010-11.
12. All the documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days (barring Saturday and Sunday), between 11.00 AM to 1.00 PM up to Friday, the 16<sup>th</sup> September, 2011.
13. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Registrar & Transfer Agents of the Company the prescribed Form (Form 2B in duplicate) of the Companies (Central Government's) General Rules and Forms, 1956. In case of shares held in dematerialized form, the nomination has to be lodged with the respective Depository Participant.
14. Annual Listing fee for the year 2011-12 has been paid to the Stock Exchanges wherein shares of the Company are listed.
15. Members are requested to send all correspondence concerning registration of transfers, transmissions, subdivision, consolidation of shares or any other shares related matter and bank account to Company's Registrars.
16. Members are requested to notify immediately any change of address, Bank details, etc.:
  - (i) to their Depository Participants (DP) in respect of shares held in dematerialized form, and
  - (ii) to the Company at its Registered Office or its Registrar & Transfer Agent, Karvy Computershare Private Limited in respect of their physical shares, if any, quoting their folio number.
17. Members desirous of getting any information on any items of business of this meeting are requested to address their queries to the Company Secretary at least ten days prior to the date of the meeting, so that the information required can be made readily available at the meeting.

### **18. Important Communication to Members:-**

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the Form and hand over the same along with Attendance Form at the Registration Counter of venue of Annual General Meeting for registration of Email address for receiving notice/documents including Annual Report to participate in "Green Initiative" to affirm commitment towards future generations.

## BRIEF RESUME OF THE DIRECTORS SEEKING RE-ELECTION AND ALSO OF DIRECTOR(S) APPOINTED SINCE LAST ANNUAL GENERAL MEETING

### Directors seeking re-election at the 22<sup>nd</sup> AGM:

<b>Name</b>	<b>Shri V. M. Kaul</b>	<b>Shri Rakesh Jain</b>
<b>Date of Birth and Age</b>	18 <sup>th</sup> March, 1952 / 59 years	18 <sup>th</sup> August, 1957/54 years
<b>Date of Appointment</b>	16 <sup>th</sup> March, 2009	9 <sup>th</sup> June, 2009
<b>Qualification</b>	Bachelor of Mechanical Engineering, IIT, Delhi. MBA, IGNOU.	Masters Degree in Physics, Delhi University.
<b>Expertise in specific functional area</b>	Shri V. M. Kaul has over 37 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.	Shri Rakesh Jain, is an officer of Indian Audit & Accounts Service (1981). He is currently Joint Secretary and Financial Adviser (JS&FA) in the Ministry of Power. Before joining Ministry of Power, Shri Jain 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.
<b>Directorship held in other Companies (Part-time)</b>	1. Nuclear Power Corporation of India Limited. 2. Powerlinks Transmission Limited.	1. NTPC Limited. 2. NHPC Limited.
<b>Memberships / Chairmanships of Committees in other Companies</b>	Audit Committee – 1. Nuclear Power Corporation of India Limited. 2. Powerlinks Transmission Limited.	Audit Committee – 1. NTPC Limited. 2. NHPC Limited. Shareholders/Investors Grievance Committee - 1. NTPC Limited.
<b>No. of Shares held</b>	7213	NIL

### Director appointed since last Annual General Meeting held on 24<sup>th</sup> September, 2010

<b>Name</b>	Shri R. T. Agarwal
<b>Date of Birth and Age</b>	12 <sup>th</sup> August, 1956/55 years
<b>Date of Appointment</b>	29 <sup>th</sup> July, 2011
<b>Qualification</b>	B.Com., Chartered Accountant
<b>Expertise in specific functional area</b>	Shri R. T. Agarwal, has more than 30 years of experience in multifarious Finance & Accounts functions like finalization of Accounts, coordination with Auditors, Taxation, Treasury Functions, Internal Audit, Budgeting, Pay Roll, Concurrence, MIS & Commercial aspects etc both at the Corporate Centre and at Regional Headquarters of POWERGRID. Prior to this, he was Executive Director (Finance) and had played a pivotal role in the successful Follow-on Public Offer of POWERGRID in 2010. Before joining POWERGRID in 1991, he had worked in power major NTPC Ltd. project sites for around 10 years.
<b>Directorship held in other Companies</b>	1. Powerlinks Transmission Limited 2. Power System Operation Corporation Limited 3. Prabati Koldam Transmission Company Limited 4. Energy Efficiency Services Limited
<b>Memberships / Chairmanships of Committees in other Companies</b>	Audit Committee 1. Powerlinks Transmission Limited – Member 2. Power System Operation Corporation Limited – Member 3. Prabati Koldam Transmission Company Limited – Chairman 4. Energy Efficiency Services Limited - Member
<b>No. of Shares held</b>	4056

## POWER GRID CORPORATION OF INDIA LIMITED

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.

### FORM OF PROXY

I/We \_\_\_\_\_ being a Member/Members of **Power Grid Corporation of India Limited** hereby appoint Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ and failing him/her Mr./Mrs./Miss \_\_\_\_\_ of \_\_\_\_\_ in the district of \_\_\_\_\_ as my/our proxy to vote for me/us on my/our behalf at the **Twenty Second Annual General Meeting** of the Company to be held on **Monday, the 19<sup>th</sup> September, 2011 at "NDMC Talkatora Indoor Stadium, Talkatora Garden, Park Street, New Delhi - 110 001" at 11.00 a.m.** and at any adjournment thereof.

Folio / Client ID							
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DP ID Nos.							
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No. of Shares held							
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Please affix  
15 paise  
Revenue  
Stamp

\_\_\_\_\_  
(Signature of Member)

Note : Proxies in order to be valid must be duly filled in, stamped, signed and deposited at the Registered Office of the Company not less than 48 Hours before the time of commencement of the Meeting.

## POWER GRID CORPORATION OF INDIA LIMITED

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.

### ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Member/Proxy \_\_\_\_\_  
(First) (Middle) (Surname)

I hereby record my presence at the **Twenty Second Annual General Meeting** of the Company to be held on **Monday, the 19<sup>th</sup> September, 2011 at 11.00 a.m** at **"NDMC Talkatora Indoor Stadium, Talkatora Garden, Park Street, New Delhi - 110 001"**.

Folio / Client ID							
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DP ID Nos.							
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No. of Shares held							
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\_\_\_\_\_  
(Signature of Member/Proxy)





## E-COMMUNICATION REGISTRATION FORM

(In terms of circular no.17/2011 dated 21.04.2011 issued by the Ministry of Corporate Affairs)

Folio No. / DP ID & Client ID : .....

Name of 1<sup>st</sup> Registered Holder : .....

Name of Joint Holder(s) : .....

Registered Address : .....

E-mail ID (to be registered) : .....

I/we shareholder(s) of Power Grid Corporation of India Limited agree to receive communication from the Company in electronic mode. Please register my above e-mail in your records for sending communication through e-mail.

Signature:.....

(First Holder)

Date: .....

**Note: Shareholder(s) are requested to keep the Company/Registrar and Transfer Agent of the Company informed as and when there is any change in the e-mail address.**



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## REFERENCE INFORMATION

<b>Registered Office</b> B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi - 110 016	<b>Company Secretary &amp; Compliance Officer</b> Ms. Divya Tandon
<b>Corporate Office</b> "Saudamini", Plot No. 2, Sector 29, Gurgaon - 122 001 (Haryana)	
<b>For the Financial year under review i.e. 2010-11</b>	
<b>Statutory Auditors</b> <b>1. M/s. A.R. &amp; Co.</b> Chartered Accountants C-1, 2nd Floor, R.D.C., Raj Nagar, Ghaziabad - 201 002. National Capital Region. <b>2. M/s. Umamaheswara Rao &amp; Co.</b> Chartered Accountants Flat No. 5-H, 'D' Block, 8-3-324, Krishna Apartments, Yellareddyguda Lane, Ameerpet 'X' Roads, Hyderabad - 500 073. <b>3. M/s. S R I Associates</b> Chartered Accountants 41, BB Ganguly Street, Kolkata - 700 012.	<b>Cost Auditors</b> <b>1.</b> Sh. Jugal Kishore Puri, Cost Accountant, K-19, NDSE Part II, New Delhi – 110 049. <b>2.</b> M/s. Chandra Wadhwa & Co., Cost Accountants, 204, Krishna House, 4805/24, Bharat Ram Road, Darya Ganj, New Delhi – 110 002. <b>3.</b> M/s. Mani & Co., Cost Accountants, Ashoka, 111, Southern Avenue, Kolkata-700 029.
<b>Registrar &amp; Share Transfer Agent</b> 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  <b>Shares Listed at:</b> National Stock Exchange of India Limited Bombay Stock Exchange Limited  <b>Depositories:</b> National Securities Depository Limited Central Depository Services (India) Limited	<b>Bankers</b> Indian Overseas Bank Bank of Baroda State Bank of Patiala Canara Bank State Bank of India Punjab National Bank Union Bank of India State Bank of Hyderabad HDFC Bank Ltd ICICI Bank Ltd Central Bank of India Dena Bank IDBI Bank Bank of India Indian Bank Jammu & Kashmir Bank Ltd Oriental Bank of Commerce State Bank of Travancore Allahabad Bank State Bank of Bikaner & Jaipur State Bank of Mysore Vijaya Bank

## LETTER TO SHAREHOLDERS



Dear Shareholders,

It gives me immense pleasure to communicate with you on the occasion of the Twenty Second Annual General Meeting, scheduled on 19th September, 2011. Friends, during the year the Indian economy has posted a further recovery improving the Country's Gross Domestic Product (GDP) to 8.5 per cent in 2010-11 from 8 per cent during last fiscal. To ensure the envisaged GDP growth, Power Sector needs to grow at a rate higher than that of GDP. Therefore, continued focus on investments on Power sector is essential.

You are aware that the Follow-on-Public Offer (FPO) of divestment of 10% of Govt. equity (420,884,123 shares) and issue of 10% fresh capital (420,884,123 shares) in November, 2010 of your Company received huge

response from both domestic & Foreign Institutional Investors. The Issue was oversubscribed nearly 15 times. Post FPO, the holding of Government of India is 69.42%.

I am happy to inform that your company has achieved an impressive performance in fiscal 2010-11 on various fronts. On the financial front, your Company's Gross Turnover recorded ₹9099.80 crore, an increase of 21.27% compared to the previous Fiscal 2009-10. Similarly, Profit after Tax during the year increased to ₹2696.89 Crore from ₹ 2040.94 Crore in Fiscal 2009-10, registering a growth of 32.14%. Our Gross Fixed Assets as on 31st March, 2011 are valued at ₹ 50,351.78 Crore as against ₹ 43,202.28 crore in last fiscal. In fact your Company's Gross Fixed Asset have grown about 74% during last five years. Further, Board of Directors of your company accorded investment approval for 25 new transmission projects at a total estimated cost of about ₹ 21,150 Crore during financial year 2010-11.

On the operational front, as on 31st March, 2011, your company owns and operates a transmission network of about 82,355 ckt kms of inter-State transmission lines, 135 nos. of EHV & HVDC substations with transformation capacity of about 93,050 MVA and wheels about 50% of total power generated in the Country. Transmission system availability of 99.80%, best ever so far, was achieved in the history of the Company and projects worth about ₹7,313 Crore were commissioned during the year.

Under RGGVY, during this fiscal, your Company created infrastructure for electrification of 4710 un-electrified villages against a target of 3500 villages, an achievement of 135%. Service connections to about 10.60 Lakh BPL households were also provided as against a target of 7 Lakh, an achievement of about 150%.

The Inter-regional transmission capacity of your Company has been enhanced to 23,800 MW with the commissioning of Rourkela-Raigarh 400kV D/c transmission line in July 2011.

The business development opportunities continued to receive focussed attention both in the domestic and international market. During 2010-11, your Company earned revenue of ₹299.35 Crore towards consultancy fee from its various ongoing assignments as compared to ₹ 269.17 Crore in last fiscal. The telecom segment also registered a revenue of ₹187.20 crore as compared to ₹157.72 Crore in last fiscal.

On the subsidiary company set up by your Company for Independent system operation viz. Power System Operation Corporation Ltd (POSOCO), POWERGRID has transferred the movable assets and liabilities to POSOCO w.e.f. 1st October, 2010. POSOCO is now fully functional and has started billing the constituents for fees and charges from 1st October, 2010 in terms of CERC Regulations on Fees and Charges of Regional Load Despatch Centre.

Friends, POWERGRID, the Central Transmission Utility (CTU) of the Country is playing a pivotal role in Inter-State Transmission network planning and development both at regional and national level as well as its implementation. A number of inter-state grid strengthening schemes as well as inter-regional strengthening scheme have been identified by CTU for implementation. As CTU, your Company is also mandated to provide Short / Medium-term Open Access (STOA/MTOA) and Long-term Access(LTA).

As you are aware, Non-discriminatory Open Access is the key for development of a successful Competitive Electricity Market. Short-Term Open Access in inter-State transmission has been successfully implemented. During the year, more than

19,900 transactions were approved under open access, involving about 55,000 MUs of energy.

Towards sustainable development, as CTU, your Company has focused for integration of emerging technologies like 1200kV UHVAC,  $\pm 800$ kV HVDC, FACTS, Smart Grid etc. into transmission sector development, which are first of its kind in the Country.

As part of Corporate Social Responsibility (CSR), your Company is making contributions to the society at large, wherein activities for Socio-Economic development of weaker sections have been taken up. 1% of PAT of the company of the preceding year is now earmarked as non lapsable budget for CSR activities. During FY 2010-11, ₹ 15.58 crore was spent on the development of infrastructure in nearby villages like constructing class room, library, computer room for schools, primary health centre, drinking & sanitation facility, check dam, drainage, roads, community centre, etc. These facilities were created with the objective of long lasting value and have multiplier effect on improving the standard and quality of life of people.

Your Company has been ranked as 8th Fastest-Growing Asian Companies and 18th Fastest-Growing Global Companies in the Platts Top 250 Global Energy Company rankings for the year 2010. Company has also featured in the Forbes Global 2000 list.

A major development in the transmission sector is that tariff based competitive bidding has been effective for transmission projects w.e.f. 06th January, 2011. Competitive bidding, however, is not applicable for transmission projects requiring upgradation/strengthening of existing transmission lines and associated sub-stations and also not for projects for which Bulk Power Transmission Agreement/Transmission Service Agreement (BPTA/TSA) have been signed upto 05.01.2011. I wish to share with you that POWERGRID had already signed BPTAs for nine nos. of High Capacity Power Transmission Corridors which have a tentative cost estimate of about ₹58000 crore, to be executed progressively through XII Plan and for a no. of other projects.

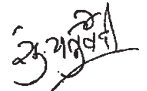
Exemptions have also been extended by Ministry of Power in July, 2011 from competitive bidding route for first two experimental works for 1200 kV UHVAC line; works to cater an urgent situation or any requirement in compressed time schedule by CTU/State transmission Utility (STU), as decided by Central Govt. on a case to case basis; for intra-state transmission projects by STUs for further 2 years beyond 6th Jan, 2011.

Lastly, I wish to share with you that I shall be demitting the office on 31st August, 2011 upon attaining superannuation. Shri R. N. Nayak, Director (Operations) of your Company at present, shall be taking over charge as Chairman and Managing Director from 1st September, 2011 in terms of Govt. Order, to take the Company forward.

I am confident that with the support of dedicated and committed workforce and continued support of esteemed shareholders, POWERGRID will continue to excel and discharge its responsibilities, enhancing value to stakeholders.

With best wishes,

Yours sincerely,



**(S. K. Chaturvedi)**

Chairman & Managing Director

Place: New Delhi  
Date: 10.08.2011

## DIRECTORS' PROFILE



**SHRI S. K. CHATURVEDI**  
Chairman & Managing Director

Shri S. K. Chaturvedi, aged 60 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 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 R.N.NAYAK**  
Director (Operations)



Shri R.N.Nayak, aged 55 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 33 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  $\pm 800$  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. In terms of the GOI Order dt. 22nd July, 2011 Shri R. N. Nayak would be taking over as Chairman and Managing Director from Shri S. K. Chaturvedi w.e.f. 1<sup>st</sup> September, 2011.

**SHRI V. M. KAUL**  
Director (Personnel)



Shri V. M. Kaul aged 59 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 37 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 I.S.JHA**  
**Director (Projects)**



Shri I.S.Jha, aged 52 years, is Director (Projects) of our Company. He is an Electrical Engineer from NIT, Jamshedpur and a well known Electrical Power System Professional. Prior to this assignment he has successfully served as Executive Director (Engineering) in the company. He has also worked as Executive Director - Corporate Monitoring Group and held the position of Executive Director of North Eastern Region. Apart from these functions he was a lead Member in Planning, Engineering and Execution of APDRP and RGGVY schemes in POWERGRID. He has published numerous articles, technical papers in the field of power system in various international and National Conferences/Symposia. He was appointed as a Director on our Board in September, 2009.

**SHRI R. T. AGARWAL**  
**Director (Finance)**



Shri R. T. Agarwal, aged 55 years, is Director (Finance) of our Company. Prior to this, he was Executive Director (Finance). A Chartered Accountant by profession, Shri Agarwal has more than 30 years of experience in multifarious Finance & Accounts functions like finalization of Accounts, coordination with Auditors, Taxation, Treasury Functions, Internal Audit, Budgeting, Pay Roll, Concurrence, MIS & Commercial aspects etc. both at the Corporate Centre and at Regional Headquarters of POWERGRID. As ED (Finance), he had played a pivotal role in the successful Follow-on Public Offer of POWERGRID in 2010. Before joining POWERGRID in 1991, he had worked in power major NTPC Ltd. project sites for around 10 years. He was appointed as a Director on our Board in July, 2011.

**Dr. M. RAVI KANTH**  
**Government Nominee**



Dr. M. Ravi Kanth, aged 50 years, is a government nominee Director of our Company. He is M.A (Eco.) and L.L.B. He is also an M.B.A from Melbourne, Australia. Shri Kanth is an officer of Indian Administrative Service (RR) (1986). He is currently Joint Secretary (Transmission) in the Ministry of Power. Prior to that, Dr. M. Ravi Kanth was working as C.M.D, National Handicapped

Finance and Development Corporation, Ministry of Social Justice & Empowerment. He has held various important positions in Government both at the State and Central level. He was appointed as a Director on our Board in December, 2009.

**SHRI RAKESH JAIN**  
**Government Nominee**

Shri Rakesh Jain, aged 54 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. He is a Government nominee Director on the Board of Directors of NTPC Ltd. and NHPC Ltd. Before joining Ministry of Power, Shri Jain 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 PARVEZ HYATT**  
**Chief Vigilance Officer**



Shri Parvez Hayat, aged 52 years, is the Chief Vigilance Officer of our Company. He is an IPS Officer of Jharkhand Cadre of the 1984 Batch. He is a post graduate in Modern History and holds a Law degree from Delhi University. He has over 23 years of work experience. He worked in various capacities in both State and Central Govt. such as S.P/Sr.S.P of five Districts of Bihar/

Jharkhand; PS to the Union Minister of Home Affairs, Govt. of India, Delhi; Commandant Staff (Operations) Directorate General of ITBP, MHA, GOI, Delhi, subsequently in State of Jharkhand as DIG of Palamu Range & DIG (Crime Branch) at State Police Hqs., Ranchi. Later on central deputation as Asstt. Director General, Central Economic Intelligence Bureau, Ministry of Finance; IGP (Police Modernization & Trg.), Govt. of Jharkhand; picked up his next promotion as ADG (Police Mod. & Trg.) in the month of September, 2010. He assumed charge of office of Chief Vigilance Officer in February, 2011.

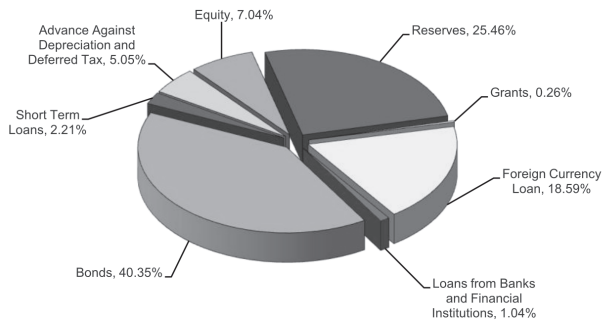


**LIST OF SENIOR EXECUTIVES (BELOW BOARD LEVEL) AND REGIONAL /RLDC HEADS**

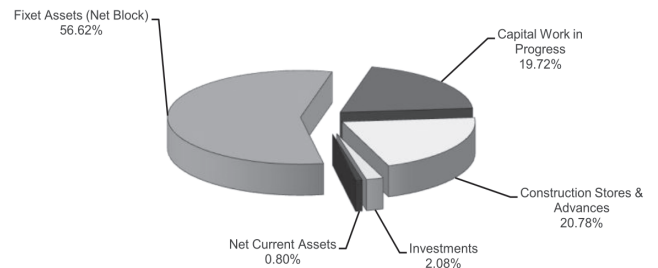
Sl. No	Name (S/Sh)	Empno	Designation /Department / Region
1	Dr. S. K. Agarwal	00075	ED(Technology Development), CC
2	Arun Kumar	00077	ED(Commercial), CC
3	Ashwani Jain	00095	ED(Telecom), CC
4	Pankaj Kumar	00105	ED(ERP & IT), CC
5	Y. K. Sehgal	00122	ED(Engg-SEF & Cost Engg), CC
6	Mahender Singh	00184	ED(BDD), CC
7	B. Mishra	00189	ED(CP), CC
8	V. C. Jagannathan	00301	ED(F&A), CC
9	T. K. Wali	00396	ED(CS), CC
10	I. R. Kidwai	00454	ED(HR), CC
11	T. S. P. Rao	00934	ED(Law), CC
12	Anjana Dhar	01330	ED(International Business), CC
13	B. S. Pandey	10026	ED(Engg-HVDC, QA&I), CC
14	Sanjeev Singh	10040	ED(OS), CC
15	N. S. Sodha	10053	ED(LD&C), CC
16	Oommen Chandy	10872	ED(Engg-TL & SS), CC
17	Rajendra Singh	50861	ED(HRD), CC
18	R. K. Singh	11044	ED(Projects), NR-I
19	S. Singh	20049	ED(I/C Region), NR-I
20	S. C. Singh	40081	ED(I/C Region), NR-II
21	B. Sharma	10031	ED(I/C Region), ER-I
22	Ravi P. Singh	10044	ED(I/C Region), ER-II
23	S Sen	10871	ED(I/c NE-N/W IC-I Project), NER
24	K. K. Chaudhury	50008	ED(I/C Region), NER
25	V. Sekhar	20107	ED(I/C Region), SR-I
26	Bharat Bhushan	20006	ED(I/C Region), SR-II
27	D. K. Valecha	10027	ED(I/C Region), WR-I
28	D. S. Singh	10057	ED(I/C Region), WR-II
<b>On deputation to Other Organizations</b>			
29	Kaushal K. Agrawal	00182	ED(On deputation to CEA)
30	R. Bahri	00097	ED(On deputation to PKTC Ltd.)
31	M. Krishna Kumar	00129	ED(On deputation to NETC Ltd.)
32	R. P. Sasmal	10945	ED(On deputation to TVPTL)
33	Prabhakar Singh	20003	ED(On deputation to Jaypee POWERGRID)
<b>Power System Operation Corporation Limited - Subsidiary Company</b>			
34	S. K. Soonee	45003	CEO(POSOCO)
35	P Pentayya	25011	GM(ERLDC)
36	T. S. Singh	50022	AGM(NERLDC)
37	V. V. Sharma	00392	GM(NRLDC)
38	P. R. Raghuram	30025	GM(SRLDC)
39	U. K. Verma	16373	GM(WRLDC)

## POWERGRID'S PERFORMANCE

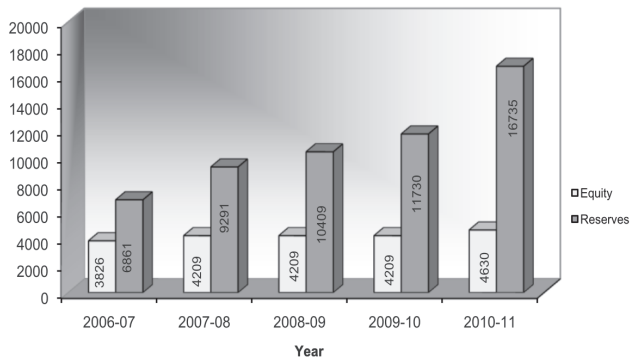
### Sources of Funds (%) 2010-11



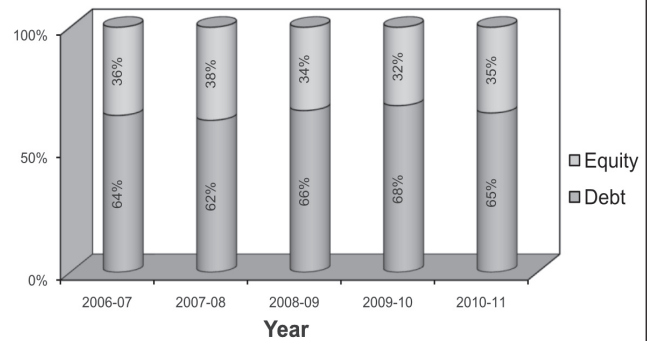
### Application of Funds (%) 2010-11



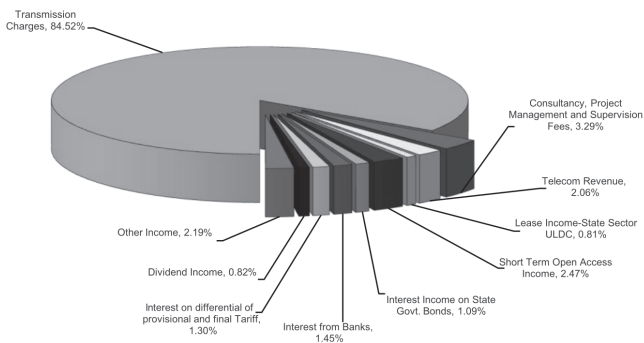
### EQUITY AND RESERVES



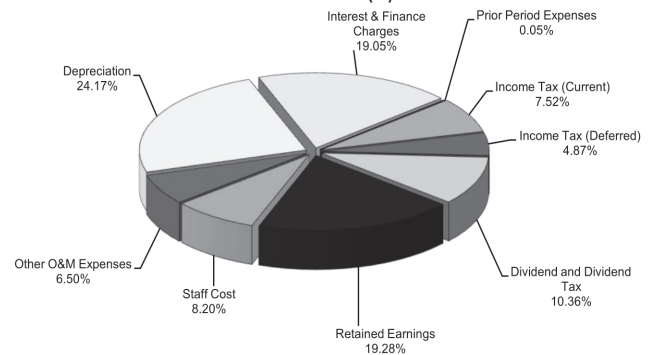
### Debt Equity Ratio (%)



### INCOME BREAK-UP (%) 2010-11



### Distribution of Revenue (%) 2010-11



## FIVE YEARS SUMMARY

(₹ in crore)

### OPERATING RESULTS

	2010-11	2009-10	2008-09	2007-08	2006-07
<b>(A). EARNED FROM :</b>					
Transmission Charges	7690.64	6576.38	5282.84	4188.52	3248.00
Consultancy Revenue	299.35	269.17	215.90	250.04	226.00
Telecom Revenue	187.20	157.72	149.83	123.53	77.10
Short Term Open Access Income	211.51	124.18	41.42	52.73	38.75
Other Income	711.10	376.13	448.73	466.71	507.30
<b>Total Earnings</b>	<b>9099.80</b>	<b>7503.58</b>	<b>6138.72</b>	<b>5081.53</b>	<b>4097.15</b>
<b>(B). PAID &amp; PROVIDED FOR :</b>					
Employees Remuneration & Benefits	745.89	726.70	643.88	519.06	338.88
Transmission Expenses	269.49	244.91	199.61	171.55	164.44
Administration Expenses	309.05	257.56	208.10	162.42	142.05
Other Expenses(Including Prior Period Adj.)	11.48	101.23	74.26	189.51	-9.15
Deferred Revenue Expenditure	1.86	1.78	1.83	5.43	8.19
Provisions	3.98	22.15	46.23	3.83	2.74
<b>Total Expenditure(Excluding Depreciation &amp; Interest)</b>	<b>1341.75</b>	<b>1354.33</b>	<b>1173.91</b>	<b>1051.80</b>	<b>647.15</b>
Profit before Depreciation & Interest	7758.05	6149.25	4964.81	4029.73	3450.00
Depreciation	2199.39	1979.69	1093.97	959.65	827.58
Interest & Finance Charges	1733.93	1543.24	1642.27	1339.55	1140.42
Net Profit after Interest & Depreciation but before Tax	3824.73	2626.32	2228.57	1730.53	1482.00
Provision for tax (MAT)	684.61	421.91	478.60	197.11	134.09
Fringe Benefit Tax	-	-1.50	14.60	10.50	8.72
Net Profit after MAT and FBT	3140.12	2205.91	1735.37	1522.92	1339.19
Deferred Tax	443.23	164.97	44.76	74.45	109.82
Profit after Deferred Tax	2696.89	2040.94	1690.61	1448.47	1229.37
Dividend	810.23	631.34	505.08	505.08	368.82

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

## FINANCIAL POSITION

(₹ in crore)

### (A) WHAT THE COMPANY OWNED:

	2010-11	2009-10	2008-09	2007-08	2006-07
Gross Fixed Assets	50351.78	43202.28	40319.33	35417.14	29014.63
Less: Depreciation	13127.80	11141.02	9190.89	8061.94	7198.56
Net Fixed Assets	37223.98	32061.26	31128.44	27355.20	21816.07
Capital Work in Progress	12963.68	10242.37	6533.43	5305.41	6068.85
Construction Stores	10749.25	7433.44	4694.19	2618.39	2708.41
Construction Advances	2911.66	2746.37	2058.38	834.29	663.13
Investments	1365.05	1453.22	1592.83	1736.22	1967.00
Current Assets ,Loans & Advances	10517.13	9627.32	8312.92	5376.78	3509.72
<b>TOTAL (A)</b>	<b>75730.75</b>	<b>63563.98</b>	<b>54320.19</b>	<b>43226.29</b>	<b>36733.18</b>

### (B). WHAT THE COMPANY OWED:

Borrowings From:					
- Govt. of India	-	-	-	-	49.53
- Financial Institutions	338.95	420.44	511.19	602.84	643.27
- Foreign Loans	12221.55	11129.52	10248.83	7006.16	6135.66
- Bonds	26528.10	21171.83	16409.57	13257.81	10999.54
- Other Loans	1794.17	1695.00	1295.84	1396.67	1497.50
<b>Total Loans</b>	<b>40882.77</b>	<b>34416.79</b>	<b>28465.43</b>	<b>22263.48</b>	<b>19325.50</b>
Current Liabilities & Provisions	9989.27	10092.89	8313.19	5024.98	4835.16
Deferred Tax Liability	1146.74	703.51	538.54	493.78	419.33
Advance against Depreciation	2176.07	2213.63	2159.59	1697.07	1201.17
<b>TOTAL (B)</b>	<b>54194.85</b>	<b>47426.82</b>	<b>39476.75</b>	<b>29479.31</b>	<b>25781.16</b>

### (C).NET WORTH OF THE COMPANY

<b>REPRESENTED BY :</b>					
(i) Equity capital(including Deposit)	4629.73	4208.84	4208.84	4208.84	3826.22
ii) Free Reserves and Surplus	16724.05	11708.23	10414.75	9298.53	6874.21
iii)Less:Misc.Exp.to the extent not written off	2.41	3.56	5.50	7.19	12.86
<b>TOTAL (C)</b>	<b>21351.37</b>	<b>15913.51</b>	<b>14618.09</b>	<b>13500.18</b>	<b>10687.57</b>

### (D).COMMITTED RESERVES & LIABILITIES

i) Grants in Aid	171.31	198.82	225.35	246.80	264.45
ii) LDC Development Fund	-	16.44	-	-	-
iii) CSR Activities Reserve	13.22	8.39	-	-	-
<b>TOTAL (D)</b>	<b>184.53</b>	<b>223.65</b>	<b>225.35</b>	<b>246.80</b>	<b>264.45</b>
<b>TOTAL (B+C+D)</b>	<b>75730.75</b>	<b>63563.98</b>	<b>54320.19</b>	<b>43226.29</b>	<b>36733.18</b>
<b>CAPITAL EMPLOYED</b> (Net Fixed Assets+Net Current Assets)	34429.03	28678.55	28430.04	25516.15	18870.13

### (E) RATIOS

Net Profit to Capital Employed(%)	7.83	7.12	5.95	5.68	6.51
Net Profit to Net Worth(%)	12.63	12.83	11.57	10.73	11.50
Net Worth per Rupee of Paid-up Capital (in ₹)	4.61	3.78	3.47	3.21	2.79
Debt/Equity Ratio	65:35	68:32	66:34	62:38	64:36
Liquidity Ratio	0.79:1	0.74:1	0.75:1	0.75:1	0.54:1
Earning per Share (Diluted EPS) (₹ per Share)	6.19	4.85	4.02	3.60	3.28
Book Value per share( ₹ per share)	46.12	37.81	34.73	32.08	28.22
Capital Expenditure ( ₹ in Crore)	12005	10617	8167	6656	6383

### (F) OTHER IMPORTANT INFORMATION

Length of Transmission Lines (CKT)	82355	75290	71500	67000	59461
No. of Substations	135	124	120	111	104
No. of Employees	9775	9162	8214	7645	7427
Transmission Network availability (%)	99.80%	99.77%	99.55%	99.65%	99.20%
Power Transmitted on POWERGRID Network (in MU)	400596	363723	334013	328709	298937

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

## DIRECTORS' REPORT

Dear Shareholders,  
Ladies & Gentlemen,

I am privileged to present, on behalf of the Board of Directors, the 22<sup>nd</sup> Annual Report on the business and operations of your Company for the financial year ended on 31<sup>st</sup> March 2011 together with the Audited Statements of Accounts, Auditors' Report and Review of the Accounts by the Comptroller & Auditor General of India for the review period.

I am happy to share with you that your Company has excelled in all areas of its operations achieving significant milestones such as exceeding budget utilization target, meeting overall targets under Memorandum of Understanding (MoU) with Ministry of Power, Government of India, timely commissioning of projects, etc. Based on the overall performance, your Company is poised to get "Excellent" rating for FY 2010-11 as well, continuing the track record of achieving the highest rating since signing of its first MoU in FY 1993-94.

Your Company has been conferred with 'MoU Excellence Award' for FY 2008-09 by Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Govt. of India for being the top performer in the Energy Sector. The Company has also been bestowed with the 'Scope Award for Excellence and Outstanding Contribution to the Public Sector Management (2008-09) - Large Scale PSE Category'. Both the awards were presented to POWERGRID by our Hon'ble Prime Minister in a ceremony held on December 15, 2010.

Your Company has been ranked as 8<sup>th</sup> overall in the Fastest-Growing Asian Companies and 18<sup>th</sup> as Fastest-Growing Global Companies in the "Platts Top 250 Global Energy Company rankings" for the year 2010. Your Company has also featured in the "Forbes Global 2000" list.

Performance highlights of your Company during FY 2010-11 are briefly mentioned here to give an overview of accomplishments in all fronts:

- ❖ Made an investment of ₹ 12,005 Crore during the year, an increase of about 13% over the investment made in last year (₹ 10,617 Crore).
- ❖ On the project implementation front, added about 6,760 ckm of transmission lines, 11 new sub-stations and transformation capacity of about 9,500 MVA.
- ❖ Assets worth ₹ 7,313 Crore are declared under commercial operation.
- ❖ Investment approval for 25 new transmission projects worth about ₹ 21,150 Crore was accorded by the Board. This includes the project of international importance, "Cross country grid Interconnection between India and Bangladesh".
- ❖ Transmission system availability of 99.80% was achieved, highest so far in the history of the Company. There was no major grid disturbance in any part of the country during the year and grids were operated smoothly.
- ❖ Inter-Regional power transfer capacity addition of 1,600 MW was achieved during the year with the commissioning of Barh – Balia 400 kV Double circuit (Quad) line, enhancing inter-regional capacity of National Grid to 22,400 MW.
- ❖ Under consultancy business, a total of 45 new orders with estimated project cost of about ₹ 600 Crore received, and in this financial year, revenue of ₹ 299.35 Crore is earned from Consultancy business as compared to ₹ 269 Crore earned during previous year.
- ❖ Financial Performance

(Figures in ₹ Crore, except per share data)

Description	2010-11	2009-10	Y-o-Y Growth
Income			
Transmission Charges	7,691	6,576	16.95%
Consultancy	299	269	11.15%
Telecom	187	158	18.35%
Short Term Open Access Income	212	124	69.60%
Other Income	711	376	89.10%
Total Income	9,100	7,504	21.27%
Profit After Tax (PAT)	2,697	2,041	32.14%
Earnings per Share (₹)	6.19	4.85	27.63%
Book Value per Share (₹)	46.12	37.81	21.98%
Gross Fixed Assets	50,352	43,202	16.55%
Debt	40,883	34,417	18.64%
Net Worth	21,351	15,914	34.16%
Debt Equity Ratio	65:35	68:32	
Capitalisation	7,313	3,610	102.58%



## OPERATIONAL EXCELLENCE

Your Company, with its strong in-house expertise in all specialised areas of power transmission business, has carved a niche for itself amongst the largest transmission utilities in the world. Today, your Company wheels about 50% of total power generated in the country through its transmission network. As on 31st March, 2011, your Company owns & operates a transmission network of **82,355** ckm of transmission lines, **135** nos. of EHV & HVDC substations and transformation capacity of about **93,050 MVA**.

During FY 2010-11, **transmission system availability of 99.80%** was achieved for our transmission network. Besides, number of trippings per line was also contained at 1.27 against MoU target of 2.5 under “Excellent” category. Maintaining such high availability was possible through deployment of state-of-the-art Operation & Maintenance techniques at par with international standards.

Your Company follows state-of-the-art preventive maintenance. Equipment health is assessed periodically using “Condition Assessment Techniques”. Maintenance activities are planned well in-advance and an “Annual Maintenance Plan” is chalked out for every asset through live line or shut down as per technical feasibility. Your Company also employs state-of-the-art “Emergency Restoration System” for restoration of collapsed transmission lines, due to natural calamities or otherwise, in shortest possible time. Replacement of aged assets has also been taken up as per prevalent CERC tariff regulations.

O&M activities of your Company are ISO certified. Systems and procedures are in place and being upgraded periodically to keep abreast with the latest technology. Formats for documentation on schedule & procedures have been standardized for all assets. All substations and line offices can access these documents through Company’s web-portal. Periodic reviews are also conducted at regional level as well as at Substations and Line offices to evaluate implementation of the systems and procedures.

Presently, about 30 sub-stations of POWERGRID are operated remotely and many new sub-stations are being designed for remote operation. For further improvement in operational efficiency, “**National Transmission Asset Management Centre**” is being established to control & operate most of the sub-stations remotely and establishment of “Maintenance Service Hub” facility has commenced, which caters to the maintenance need of a group of sub-stations rather than placing staff in each sub-station. This will not only help in optimal utilisation of manpower & resources but also reduce the response time in case of faults & breakdowns.

Options are also being explored for use of Robots in transmission lines’ inspection besides aerial patrolling of transmission lines using helicopters, to optimise manpower requirement/ time management for line patrolling and improve efficiency in maintaining them.

## PROJECT IMPLEMENTATION

Transmission projects are planned, implemented, monitored and controlled through Integrated Project Management and Control System, which has been developed matching with the organization structure, effective working, flow of information and feed back. Project implementation activities involves total project review and monitoring including Standardisation of Designs, Project Review Meetings at regular intervals through video conferencing, pre-emptive measures and advance actions on various project linked activities such as land acquisition, state-of-the-art survey techniques and soil investigations, tender activities, funding tie-up, etc. in parallel with project investment approval process.

During FY 2010-11, transmission projects worth ₹ **7,313 Crore** were commissioned as compared to ₹ 3,610 Crore for the previous year. Your Company has commissioned about **6,760 ckm** of transmission lines, **11 new sub-stations** and transformation capacity of about **9,500 MVA**. These additions to the Company’s network have helped in improving power supply situation in various regional grids leading to improved system reliability and better grid stability to meet the total all time high peak demand of 111GW & 811BU of energy in 2010-11.

Presently, transmission projects of about ₹ **93,000 Crore** are under various stages of implementation and are progressing well matching with commissioning schedule of generation projects in the country. This includes **25 new transmission projects** approved by the Board of Directors in FY 2010-11 at an estimated cost of about ₹ **21,150 Crore** comprising of about **8,000 ckm** of transmission lines & 5200 Km of fibre optic network, **23 nos.** sub-stations and transformation capacity of about **32,000 MVA**. Major ongoing projects are, Transmission System associated with generation projects like Subansiri & Kameng HEPs (which includes 2000 km, ±800 kV HVDC bipole link), DVC & Maithon Right Bank project, Sasan, Mundra & Krishnapatnam Ultra Mega Power Projects, Pallatana GBPP, Bongaigaon TPS, Transmission system for transfer of power from Bhutan to NR/WR, Interconnection between Indian & Bangladesh power grids, Development of High Capacity Transmission corridor for phase-I IPPs in the State of Odisha, Transmission system for IPP Generation Projects in the State of Sikkim & Chhattisgarh, etc. and System Strengthening schemes in Northern, Eastern, Western & Southern Regions etc. Your Company has an impeccable track record of **not bottling up of even a single Mega Watt of power from central sector generation projects for want of inter-State transmission system**.

Accelerated growth path of your Company during XI plan can be demonstrated from the following table, which shows a phenomenal built up of about 30% capacity of Company’s present network in last four years only w.r.t. the capacity as built in last many years.

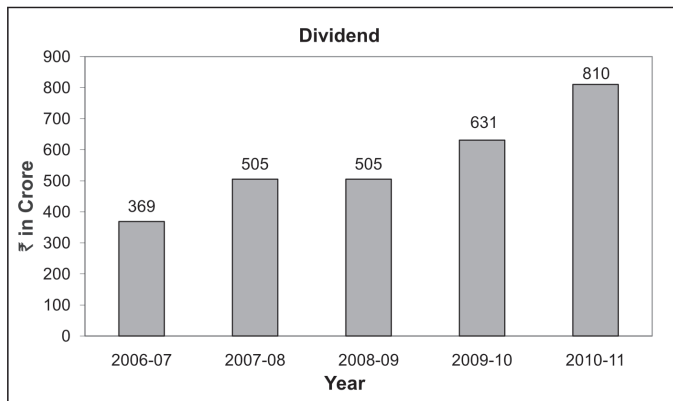
Parameter	As on the beginning of XI Plan	As on the end of FY 2010-11	Addition during first four years of XI Plan
Transmission network (ckm)	59,461	82,355	22,894
Sub-stations (Nos)	104	135	31
Transformation Capacity (MVA)	59,415	93,050	33,635

## FINANCIAL MANAGEMENT

Your Company exhibited an impressive financial performance during FY 2010-11, earning a net profit of ₹ **2,697 Crore**, thereby registering a highest ever rise of **32%** as compared to previous year's profit of ₹ 2,041 Crore. Turnover of the Company stands at ₹ **9,100 Crore** from ₹ 7,504 Crore during FY 2009-10, i.e. up by **21%**. Gross Asset Base has been enhanced to ₹ **50,352 Crore** from ₹ 43,202 Crore in FY 2009-10.

### Dividend Payout

In FY 2010-11, your Company registered Earnings per Share (EPS) of ₹ **6.19** as compared to ₹ 4.85 in previous fiscal. Your Board of Directors have recommended a final **dividend of ₹ 1.25 per share** for the year 2010-11, in addition to an interim dividend of ₹ 0.50 per share paid in February, 2011. The total



The requisite funds were mobilised from domestic market, proceeds of loans from multilateral funding agencies, namely, The World Bank and Asian Development Bank, besides internal resources of approx. ₹ 4,000 Crore (including FPO proceeds).

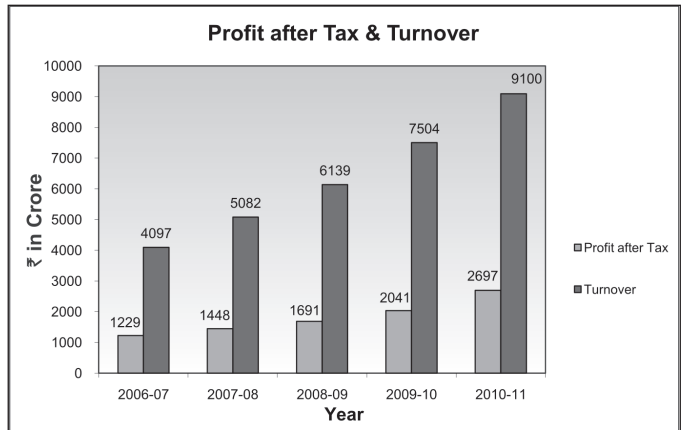
### Directors' Responsibility Statement

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

- In the preparation of the Annual Accounts, the applicable accounting standards have been followed;
- The Directors 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;
- 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;
- The Directors have prepared the annual accounts on a going concern basis.

### XI Plan Investment programme

For development of inter-State transmission system, an investment of about ₹ **55,000 Crore** has been planned by your Company during XI Plan which includes further development in National Grid by adding inter-regional transmission systems, system strengthening schemes, transmission system to facilitate evacuation of power from generation projects under central sector and Ultra Mega Power Projects (UMPPs). Stepping towards realising the target, your Company has already made a capital investment of about ₹ **37,445 Crore** during the four (4) years' period of XI plan for implementation of various projects.

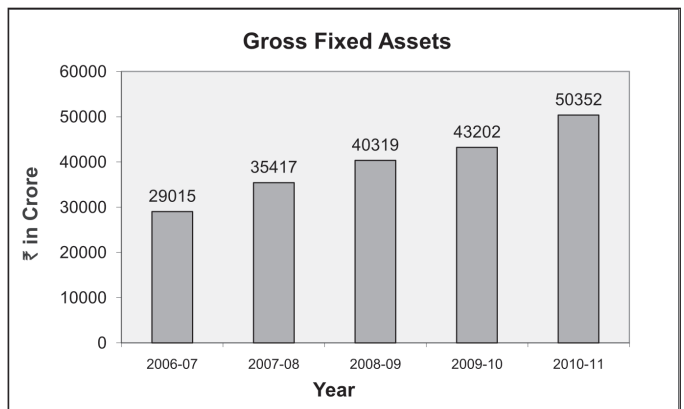


dividend paid for the year is ₹ 1.75 per share as against ₹ 1.50 per share paid last financial year. The final dividend shall be paid after your approval at the Annual General Meeting. The total dividend pay-out for the year amounts to ₹ **810.23 Crore** representing 30% of profit after tax for the year.

Your Directors believe that strategic diversification into synergic business would lead to increase in shareholders' value. Therefore, focussed attention is being given for expanding the telecom and consultancy businesses for further improvement in financial performance.

### Capital investment and fund mobilisation

Your Company made an investment of ₹ **12,005 Crore** during FY 2010-11 for implementation of various ongoing projects.



Your Company has an excellent credit rating with financial institutions, thereby, is placed in a comfortable position in terms of resource mobilisation. The Company, as such, does not envisage any problem in mobilizing the resources for meeting the planned investment during last year of XI plan period. Loan requirement is planned to be met through borrowings from multilateral funding agencies (The World Bank and Asian Development Bank), Supplier's credit and from domestic sources on the basis of requirement. Your Company being rated AAA by CRISIL, does not foresee any problem in mobilizing the required resources from domestic market at competitive rates.

### Going Public

Company's Follow-on-Public Offer (FPO) of divestment of 10% of Govt. equity (420,884,123 shares) and issue of 10% fresh capital (420,884,123 shares) in November, 2010 received huge response both from domestic & foreign institutional investors; and was oversubscribed by almost 15 times. FPO subscription opened on 9th November 2010 and closed for QIBs on 11th November 2010 and on 12th November 2010 for others. The issue price was fixed at ₹ 90 per share and a discount of 5% was offered for retail investors and employees. Post-issue, holding of Government of India is **69.42%**, while the balance **30.58%** is held by public. Out of ₹ **3,721 Crore** raised from fresh issue of shares under FPO, ₹ 1,600 Crore has been spent during the FY 2010-11 on capital expenditure of identified projects. The funds garnered through FPO shall help the Company for part financing of projects during XI and XII plan.

### COMMERCIAL PERFORMANCE

Your Company's performance on commercial front is highly satisfactory, especially in terms of realisation of transmission charges. During the year 2010-11, current realisation stood at about ₹ **7,192 Crore**, the highest so far, against ₹ 6,570 Crore realised last year. Post-securitisation, outstanding dues (beyond 90 days of billing) stands at 'nil' as on March 31, 2011. The present LC coverage is about ₹ **567 Crore** which is equivalent to 115% of average monthly billing.

During the year, a total of 222 petitions of transmission projects involving transmission charges of ₹ 2,957 Crore were filed with CERC for Tariff period 2009-14. It includes filing of advance petitions, for the assets whose DOCO are anticipated till June, 2011.

As per CERC Regulation on Sharing of Inter-State Transmission charges and losses, 2010, your Company, as CTU, has been mandated to perform Billing, Collection and Disbursement (BCD) on behalf of all the inter-State Transmission Service licensees. In view of this, new Transmission Service Agreement, Revenue Sharing Agreement & BCD procedures after incorporating comments from designated inter-State Customers and inter-State Transmission System licensees were drafted and submitted to CERC for approval. Several workshops have been conducted across all the regions with the State Transmission Utilities and DISCOMs for their institutional building for new billing, collection and disbursement mechanism.

### DEVELOPMENT OF NATIONAL GRID

Your Company is taking adequate measures for strengthening/ establishing the inter-State and inter-regional links for enhancing the capacity of National Grid in a time bound manner so as to ensure optimal utilization of uneven distribution of energy resources. Inter-Regional capacity addition of **1,600 MW** was achieved during the year with the commissioning of Barh-Balia 400 kV Double circuit (Quad) line in June, 2010. **By 31<sup>st</sup> March 2011, National Grid with inter-regional power transfer capacity of about 22,400 MW has been established**, placing it among one of the largest synchronous grid in the world with installed generation capacity of about 1,17,000 MW. Currently, substantial power is being exchanged across the regional grids and the capacity of this National Grid is planned to be enhanced to about 28,000 MW by the end of XI Plan with the expectation of generation capacity addition as programmed.

### GRID MANAGEMENT

Development of National Grid through reliable and stable operation of regional power grids has been a priority area for your Company. The Company is facilitating power evacuation from Central Sector Generating Stations through its strong and robust transmission network and it is a matter of great pride that evacuation constraint has not been generally faced by any Central Sector Generating Station during the year.

Grid Management is carried out through a hierarchical control philosophy using Supervisory Control and Data Acquisition, SCADA. Considering the increased complexity of grid operation of such a large network of the country, the facilities at all the five Regional Load Despatch Centers and National Load Despatch Centre are being upgraded continuously through deployment of latest technology. Your Company's effective grid management measures & techniques are not only paying rich dividends but also restricted minimal grid disturbances besides improvement in vital grid parameters, improved data availability, visibility and transparency. This is very well demonstrated since **Indian Power Grids have not experienced any major grid disturbance during more than last eight years**. Even minor grid disturbances in regional grids have come down significantly.

All these measures have also led to increase in inter-regional power exchanges on real-time basis and helped in meeting more demand of energy deficit regions, thereby improving overall economy of the country. During FY 2010-11, about **56,700 Million Units (MUs)** of inter-regional energy transfer was facilitated across the country as compared to about 52,000 MUs during FY 2009-10. The frequency remained within the prescribed IEGC band (49.5 – 50.2 Hz) for most of the period.

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 ₹ **10,357 Crore** in FY 2010-11.

**Power System Operation Corporation Limited (POSOCO)**, a 100% subsidiary of your Company which was set up to look after Grid Management function in line with Gol directive, has started commercial operation from 1st October, 2010.

### Open Access in Inter-State transmission:



In order to promote development of competitive electricity market, Short Term Open Access (STOA) in inter-State transmission was successfully implemented since 2004.

Under STOA, about **19,900 transactions** were approved during the year involving more than **55,000 MUs** of energy. Since introduction of STOA in May, 2004, cumulatively more than 73,600 bilateral transactions have taken place and about 218 Billion Units (BUs) have been exchanged. Around hundred captive power plants across the country have also availed the benefit of STOA.

Being the nodal agency for grant of Long Term Access (LTA) to private producers, your Company has undertaken development of high capacity transmission corridors for evacuation of large quantum of power from various IPP generation projects. LTA has been granted for about 90,000 MW to 135 nos. of IPP projects. Development of transmission system for IPPs generation projects was a major concern especially due to non-finalisation of beneficiaries and firm commissioning schedule of generation projects by the generating companies. Taking the lead role, your Company organized various meetings with power generation developers, CEA, Ministry of Power and took up the case with CERC actively thereby achieving timely development of transmission systems for IPPs. Nine High Capacity Power Transmission Corridors have been finalized for meeting evacuation requirement of IPPs coming up in the State of Jharkhand, Odisha, Chattisgarh, Madhya Pradesh, Andhra Pradesh and Tamil Nadu at an estimated cost of about **₹ 58,000 Crore**, for which regulatory approval was accorded by CERC in May, 2010. Implementation of these corridors has been taken up by your Company in a phased manner matching with progress of generation projects. This shall go a long way in integrated development of transmission system in the country.

#### **QUALITY – A WAY OF LIFE**

Your Company aims to provide quality services to its valued customers, and in order to do so, quality improvement measures/techniques are being adopted at every stage right from conceptualisation of project till commissioning and subsequently during its operation. Besides, the areas requiring improvement are identified and immediately addressed. Your Company's Quality Management System (QMS) is built upon the philosophy of Prevention, i.e. Quality Assurance rather than Detection while final product inspection. This system covers Design, Engineering, Procurement, Construction, Operation and Maintenance activities for AC & HVDC transmission systems, SCADA, EMS & Communication projects.

During the year, **Quality Management System** of your Company was reviewed and based on evaluation of implementation of the latest systems and procedures, the revised certification was accorded. Your Company is certified with **Integrated Management System** as per **Publicly Available Specification, PAS 99:2006** integrating requirement of ISO 9001:2008 (Quality), ISO 14001:2004 (Environment) and OHSAS 18001:2007 (Occupational Health & Safety Management System). All the establishments of your Company were also audited for **Social Accountability System, SA 8000:2008**.

#### **TECHNOLOGY DEVELOPMENT**

Conserving Right-of-Way (RoW), minimizing impact on natural resources, coordinated development of cost effective transmission corridor, flexibility in upgradation of transfer capacity of lines matching with power transfer requirement are major areas of concerns in development of transmission network in the country. In order to address these issues effectively and to ensure development of efficient, coordinated and economical inter-State transmission system, the Company has undertaken several technological innovations.

For efficient utilisation of precious RoW, the Company is deploying state-of-the-art technologies such as high temperature low sag Conductors, series compensation including Thyristor Control, Multi Circuits, Compact & Tall Towers, High Surge Impedance Loading Lines, etc. For effective grid operation, high-tech O&M practices such as hotline maintenance, live line washing of insulators, use of emergency restoration system, large scale automation of sub-stations, etc. are being adopted.

Your Company gives priority to research activities with potential for societal, environmental & national benefits by application of advance technologies and finding solutions to gear up for future challenges. After commissioning & operating 765 kV UHV AC &  $\pm 500$  kV HVDC transmission system, POWERGRID is now working on next higher transmission voltages of **1200 kV UHVAC &  $\pm 800$  kV HVDC Systems** to achieve efficient utilization of RoW and increased power transfer capability for transfer of bulk power over long distances.

The **1200kV UHV AC technology** is being developed by your Company for the first time in the world. This is one of the unique R&D projects in public-private partnership model. Development of 1200kV UHVAC technology has already been initiated by establishment of a Test Station (at Bina in the State of Madhya Pradesh), which is under progress as a collaborative effort with 34 indigenous equipment manufacturers who are partners in this development process. The objective of the project is development and establishment of 1200kV voltage level in the country with concerted co-ordination among technical experts for finalization of technical parameters, field testing, and trial operation etc. and extend support to equipment manufacturers for indigenous development of 1200kV system equipment. This endeavour shall not only benefit Indian Power sector but also Indian manufacturers who would emerge as world leader for 1200kV class equipment. With the introduction of Ultra High Voltage in the transmission system, in addition to enhanced power transfer capability of the line, it will help in reduction of transmission losses and minimise Right of Way requirement.

Implementation of **+/- 800 kV, 6000 MW HVDC Bi-pole** of length around 2000 Km from North Eastern region (Biswanath Chariali in the State of Assam) to Northern Region (Agra in the State of Uttar Pradesh) is under construction. This shall facilitate high quantum of power transfer. Once implemented, this shall be the longest +/- 800kV HVDC line.

Your Company is taking leadership initiative for implementation of **Smart Grid Technology** in the country. In this direction, your Company has implemented Smart Grid Pilot Project using WAMS in Northern Region Grid, for the first time in India. **"India Smart**

**Grid Task Force**", being headed by Shri Sam Pitroda, Adviser to Hon'ble Prime Minister on Public Information Infrastructure & Innovations, is a nodal point for Government's activities related to Smart Grid. Secretariat of this prestigious forum is now being operated by your Company.

High Temperature Superconducting cable provides unique solution of large amount of power transmission at lower voltage. In order to study the preliminary feasibility of developing the use of **superconducting technology** in transmission, an experimental superconducting AC line parallel to existing transmission line of 220kV at Gurgaon Gas Insulated Substation (GIS) is being explored.

Lightning mapping of the system is very useful in optimizing lightning protection design and real time operation & maintenance of transmission lines. Pollution mapping helps in optimal insulation design and maintenance of transmission lines. Considering huge transmission expansion plan, POWERGRID has initiated pollution mapping of Northern Region in association with CPRI, Bangalore and lightning mapping in North-Eastern Region.

**National High Power Test Laboratory Pvt. Ltd. (NHPTL)**, a Joint Venture Company of POWERGRID, NTPC, NHPC and DVC has been created in May, 2009 for establishment of a fully independent, professionally managed, international class, **"On Line High Power Short Circuit Test Facility"** in India which shall provide a full range of short circuit test facilities for electrical equipment manufacturing industry and power utilities.

### **Green initiatives**

Major reason for continuous degradation of earth's climate and environment may be attributed to emission of billions of tons of greenhouse and other potent gases in atmosphere due to mankind's heavy dependence on fossil fuel for many of its daily needs. As Indian population is increasing and economy is growing at large pace, demand for power will increase manifold. It is well established fact that growth brings with it the risk of environmental problems, and unless significant energy conservation measures and large scale use of eco-friendly measures are undertaken, necessitating huge investments to protect the environment.

Transmission projects can play a significant role in harnessing clean/green power through innovative and challenging initiatives. Accordingly, POWERGRID, being a responsive organisation, is constructing  $\pm 800\text{kV}$  HVDC high capacity transmission system for transfer of about 6,000 MW of power from hydro projects in North-Eastern Region to far away beneficiaries in Northern & Western Regions. The expected environmental benefits are:

- Will reduce  $\text{CO}_2$  emissions by replacing thermal generation at load centres of Northern & Western Regions by transmitting about 6,000 MW of clean/green hydro power generated in phases in the remote and under developed North-Eastern Region of the country with negligible environment impact.
- Otherwise, the Northern & Western Regions of the country, which are deficit in energy, would set up equivalent coal fired thermal power plants. It is envisaged that about 257 million tons of  $\text{CO}_2$  emission would be reduced during the 30 year lifecycle of the HVDC transmission system.

It is heartening to note that our sincere efforts towards environment protection has started bearing fruits in terms of the appreciation and awards POWERGRID had received during the last three years.

### **BUSINESS DEVELOPMENT & CONSULTANCY**

Your Company has acquired in-house expertise at par with global standards in the field of Planning, Design, Engineering, Load Despatch and Communication, Telecommunication, Contracts, Finance and Project Management. Utilising this expertise, consultancy is being offered at national & international level.

The Company has emerged as a strong player in transmission sector in South Asia, Middle-east Asia & African countries and is providing consultancy services in United Arab Emirates (UAE), Nigeria and Bangladesh. Your Company has been keenly participating in projects funded by ADB, The World Bank, and other foreign organizations in various countries like Vietnam, China, Kenya, Ethiopia, Uzbekistan, Afghanistan & Bangladesh.

Throughout the year, business development opportunities continued to receive focussed attention and thrust across the entire value chain of the power sector. During the year 2010-11, your Company has bagged 45 new assignments having project cost of about ₹ 600 Crore. Your Company has earned revenue of about ₹ **299.35 Crore** during FY 2010-11 as consultancy fee from its various ongoing assignments against ₹ 269 Crore earned last year.

Further, your Company is playing an active role in preparing a roadmap for developing SAARC market for electricity on a regional basis to develop a cross country power-grid, harnessing each other's capacities and resources in order to address the growing energy need in the region. Presently, various interconnections exist between **India & Nepal** and between **India & Bhutan**. For evacuation of power from various upcoming HEPs in Bhutan, Punatsangchhu-I HEP (in Bhutan) – Alipurduar (in India) 400 kV D/c line between Bhutan & India is under implementation and expected to be completed by 2015. Further, an asynchronous interconnection between **India & Bangladesh** through 500 MW HVDC back-to-back terminal along with Bheramara (Bangladesh) - Baharampur (India) 400kV D/C line is under implementation and expected to be completed by 2013. In addition, an interconnection between **India and Sri Lanka** through HVDC bipole link including submarine cable for sea portion is being finalised. Further, for bulk transfer of power, interconnection between India and Nepal through 400 kV Dhalkebar (in Nepal) - Muzaffarpur (in India) D/C transmission line is under finalisation.

### **TELECOM BUSINESS**

In order to shore up its revenue base, POWERGRID spotted the opportunity of convergence between transmission & telecom, and entered into telecom business to leverage its country wide transmission infrastructure. Your Company is currently managing

about **25,000 km** of telecom network connecting all metros, major cities & towns, which has been maintained at an availability of **99.98%**.

It is our constant endeavour to provide 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 marked presence in remote areas and has acquired Infrastructure Provider Category-I (IP-I), Internet Service Provider (ISP) Category 'A' and National Long Distance (NLD) licenses to provide a variety of services.

During 2010-11, telecom business earned revenue of **about ₹ 187.20 Crore** for the Company. Revenue realization to the tune of **99%** of total sales was achieved during the year. The telecom business registered a Profit before Tax of **₹ 29.73 Crore** for the financial year ended 31st March 2011; and Order Book rose to about **₹ 650 Crore** in FY 2010-11 from **₹ 410 Crore** in previous year (i.e. up by 58%) despite a general slowdown experienced by Telecom industry due to intense price wars.

Your Company is one of the implementing agencies for the prestigious **National Knowledge Network project** at a project cost of **₹ 6,000 Crore**. The project envisages a gigantic 3 layer Telecom network of all knowledge centres across the country such as IITs, IISc, etc. on high speed connectivity. In this, your Company has bagged a contract of **₹ 900 Crore** to be realised over a period of 10 years, out of which advance of **₹ 384 Crore** was received during FY 2010-11.

With the focus now shifting more towards rural connectivity, POWERGRID's role in telecom becomes even more significant as it has presence in rural & remote areas of the country by way of its Power Transmission network. Considering an ever increasing base of transmission towers across the country with a present base of about 1,50,000 towers including remote/ rural areas, a business model of leasing transmission towers for placing telecom antennas has been formulated to generate additional business. In the first phase, tower space has been leased out in 3 States of J&K, HP & Punjab for installation of Telecom Antennas and for other States, it is under process. Your Company has made synergic tie-ups with multiple service providers for spreading out of its Point of Presence to more than 2200 nodes on Pan-India basis. Company is also venturing into Multi-protocol Label Switching services as a value addition to its Dense Wavelength Division Multiplexing / Synchronous Digital Hierarchy based Point to Point Telecom Network and has ventured into Data Center business for in-house requirement. This indeed is a major leap in achieving strategic network expansion by which your Company has strengthened its capabilities to reach and cater even remotely placed segments particularly small towns and villages.

In recognition of its sturdy and reliable Telecom Infrastructure and its Telecom services, your Company has been conferred with **"Emerging Telecom Infrastructure Provider Award"** by INFOCOM CMAI National Telecom Awards, 2010.

#### CONTRIBUTION IN DISTRIBUTION REFORMS

To derive benefit of additions in generation & transmission by end consumers, Govt. of India has launched Accelerated Power Development & Reforms Programme (APDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), which are aimed at bringing qualitative improvement in sub-transmission and distribution sector and expected to achieve reduction of AT&C losses.

Your Company is playing a significant role in carrying forward the distribution reforms through undertaking APDRP works on behalf of Govt. of India in various parts of the country. Most of these schemes have been commissioned/ are nearing completion.

Under RGGVY, your Company has been assigned the job for execution of rural electrification works in 68 districts in the country covering about 72,800 villages. During the year, POWERGRID created infrastructure for electrification in **4710 un-electrified villages** against a target of 3500 villages, achievement of about 135%. Service connections were provided to **about 10.60 Lakh BPL** households against a target of 7 Lakh, achievement of over 150%. *Cumulatively, till March, 2011, infrastructure has been created for electrification of 55,445 villages. Further, service connection to about 26.79 Lakh BPL households has also been released under RGGVY.*

#### E-GOVERNANCE

In line with international practices, your Company has taken up an initiative to deploy Enterprise Wide IT System, which will facilitate operation of different business processes in an integrated manner and to achieve optimal use of resources. This includes, rolling-out of Enterprise Resource Planning (ERP) system across the organization along with establishment of state-of-the-art Data Centre, Communication Network and Disaster Recovery Site which shall be completed progressively in next two to three years.

In addition, the Company has also taken various steps to improve upon IT security envisaging potential increase in IT dependence in day to day operations. Your Company has been assigned the task for establishing "CERT-Transmission", a forum of all State transmission utilities of the country, to address IT security and required timely response at the time of crisis.

#### SUSTAINABLE DEVELOPMENT

As we all know, electricity has become a necessity in our day to day life and it plays the pivotal role in economic development of the country. While, it's use in one hand has sharply benefited the quality of life, on the other hand it's generation has raised several social, environmental, economical and political issues, which need to be understood in its right perspective and addressed accordingly. Though transmission projects are non polluting, your Company has developed a detailed corporate strategy document **"Environmental and Social Policy and Procedures (ESPP)"** in 1998 and upgraded it from time to time through wide consultations with social bodies, local communities, Govt. agencies, etc. in line with International best practices. The policy outlines the Company's approach and commitment to deal with environmental and social issues, relating to transmission projects, and lays out management procedures and protocols to address the same. The policy is applauded by the multilateral funding agencies like The World Bank & ADB and the Company applies the same for all projects across the country.

Your Company is the first Power Company in India, which has come out with the Sustainability Report in March, 2010 and is



giving shape to sustainability reporting process so as to establish a procedure for information disclosure and communication to stakeholders. Sustainability reporting benefits the Company in the long run by establishing a system of measuring, monitoring and reporting environmental and social performance.

The pioneering technologies like 1200kV UHV AC &  $\pm 800$ kV HVDC being undertaken by your Company will enable transfer of large quantum of power over single corridor upon implementation and further minimise the environmental and social impact.

## **CORPORATE SOCIAL RESPONSIBILITY**

Your Company has earmarked one percent (1%) of Profit After Tax (PAT) for the preceding year as non lapsable budget for CSR activities. During FY 2010-11, a major portion of CSR budget was spent on different thrust areas like education, health, infrastructure development, games & sports etc. Being of long lasting value, these facilities have played a pivotal role in improving the standard and quality of life of local people around our establishments. The efforts made by your Company have been applauded and earned the goodwill of the local inhabitants.

Your Company sponsored ten students, who were meritorious but under privileged for taking coaching for preparation of IIT-JEE entrance exam-2011 in "Utkarsh Super-30, Delhi Centre", as a part of Corporate Social Responsibility. It is heartening to know that six out of ten students got into IITs and rest four students qualified for other reputed engineering institutes.

Public Distribution Shops in the villages of Rajavur, Senganadipur & Karupusampudur were constructed and handed over to the Block Development Officer, Udumalpet which benefitted nearly 900 local villagers. Further, 15 desktop computer systems were handed over to the Principal of the Deaf Enabled Foundation in Hyderabad. 118 nos. of solar street lamps were handed over to District Administration of Raichur for the benefit of Umaliannur, Duganur, Katakunur and Malkapur villages of Raichur district and a 250 kVA DG was provided to District Hospital of Leh.

## **PEOPLE, OUR PRIME MOVERS**

### **Development of Human Capital**

Your Company strongly believes that human capital is the most vital asset of the organization and accordingly, its policies are focused on development of human resource through skill upgradation, career enhancement, job enrichment & job rotation.

Your Company has developed in-house Online Training Need Assessment (TNA) System through which individual TNA of 8,300 employees were captured. The findings of TNA were corroborated & discussed with Focus Group at Regional and Corporate level for identification and alignment with organizational requirements before finalisation of Learner's Planner for 2011-12.

For overall competency enhancement of employees in synchronization with business needs, environment and individual development plan, 49,831 mandays of training was imparted to the employees during FY 2010-11. In addition, induction training was provided to 143 Executive Trainees, 316 Supervisor Trainees and 340 Workmen Trainees during the year. Training has also been imparted to the employees of State power utilities and other utilities within the country and overseas.

MoUs have been signed with MDI, Gurgaon, Jamia Millia Islamia, New Delhi, Amity International Business School & Birla Institute of Management Technology, Noida, which will enable organizations to leverage each others capability and resources in area of pedagogy, training, research and innovation in systems, process etc. Further, your Company has tie-up with Foundation of Innovation and Technology Transfer of IIT, Delhi for conducting certification programmes for operation & maintenance of transmission system and telecom.

Considering the growing needs of the organization, a number of initiatives have been taken up with high priority accorded for Training & Development.

During the year, POWERGRID has inducted **979 personnel** at various levels viz., Executives, Supervisors, Workmen in different areas through Open Advertisement on All India basis and Campus Selection from reputed Engineering and Management Institutes for executives, and for non-executives through Employment Exchange and local advertisement at regional level.

For mutual benefit in the area of Power Transmission Line Construction, your Company has initiated capacity building programmes and overall skill development in the country with the help of Transmission Line (TL) construction contractors under Public Private Partnership mode. A Memorandum of Understanding was signed with some of the TL Construction Contractors for training of unemployed youth in the field of TL construction jobs. Short term training courses were also offered in Power Transmission Line Tower Erection and Power Transmission Line Stringing works. Accreditation to these courses are being accorded by Directorate General of Employment and Training (DGET), Ministry of Labour & Employment under Modular Employable Skills of Skill Development Initiative Scheme and these courses have been included in the list of Modular Employable Skills courses approved by National Council for Vocational Training (NCVT). Candidates, after successfully passing the examination conducted by Assessing Bodies appointed by DGET, shall be provided certificate by NCVT, Govt. of India.

For augmenting the Capacity Building initiatives, "**Transmission Line Management Institute**" has been established at Misa along with extension Centre at Salakati in Assam.

Knowledge Map and Knowledge Matrices of your company have been prepared along with its business verticals. This has helped the organization to identify the present knowledge assets in relation to corporate strategy and identify sources for bridging the knowledge gap. This has enabled your Company to figure out where knowledge, expertise and experiences reside in our people, documents, processes, systems and systemic routines. It is the first document of its type in Indian Power Industry.

Your Company has been bestowed with numerous awards in various categories. The major HR related awards bagged this year are "**Training Excellence Gold Award**" by Greentech Foundation for its hallmark performance in area of Training and Development, "**Best HR Strategy in Line with Business Award**" and "**Award for Excellence in Training**" by Asia's Best Employer Brand Awards

2010 at Singapore; "**Amity HR Excellence Award**" for Best Environment friendly and Employees Safety practices; "**Award for Talent Management**" under 5th Employer Branding Awards 2010-11 by Employer Branding Institute and "**Organization with Innovative HR Practices**" under Global HR Excellence Awards 2010-11; "**HR Excellence Award for PSU Sector for Innovative HR Practices**" under Talent Leadership and HR Awards (for excellence in Human Resource Development) presented by Star News; "**India Shining Star CSR Award**" in the Power Sector instituted by Wockhardt Foundation, Mumbai.

### Employee welfare

During the year, the Industrial Relations scenario in the Corporation has been cordial and no man days were lost.

An effective work culture has been established in the organization through empowerment, transparency, decentralization, and practice of participative management.

The Company also holds open sessions, chaired by the CMD and all the functional Directors, for eliciting views/suggestions of the employees concerning the overall development & growth prospects of the organization.

Your Company believes in participation of all the employees down upto workmen level for meeting the objectives of the company. In your Company, POWERGRID National Bipartite Committee (PNBC), a joint consultative forum comprising of management and workmen representatives exists, which provides a platform for addressing issues related to the workmen cadre at the national level including the signing of three long term wage agreements. The forum is associated with the decision making process in policy formulation concerning larger issues of workmen category. The forum has also been instrumental in communicating the company's vision, business plans, core values and important business developments. Besides, regional level issues pertaining to workmen are dealt through regional forum of PNBC called PRBC (POWERGRID Regional Bipartite Committee). Your company was amongst the first few companies to implement wage revision (w.e.f. 1<sup>st</sup> January, 2007) for workmen & supervisors, this year.

### Citizen's Charter

Your Company has formulated its Citizen's Charter providing a visible front of its objectives, mission, commitments, terms of service and its obligation to various stakeholders. Information about its schemes, policies, project plans of the Corporation and issues of general interest to stakeholders is available in the offices. This information is also available on Company's web site.

### IMPLEMENTATION OF OFFICIAL LANGUAGE

Your Company is committed to ensure the implementation of Rajbhasha policy and has made all efforts to ensure use of Hindi as laid out in the Rajbhasha Annual Plan of the Government of India. To promote the use of Official language, various activities like "Annuvad Abhayaas Karyakram", training for use of computer in Hindi applications are organized to enhance the working knowledge. In addition, lectures on various topics by eminent Hindi scholars are arranged on regular basis to change the mindset of the employees.

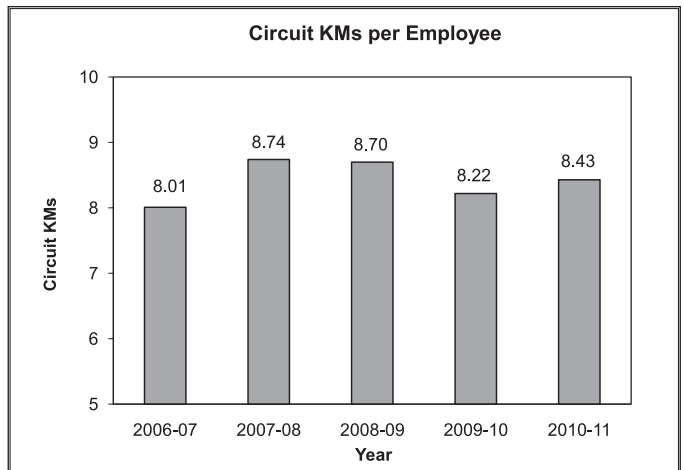
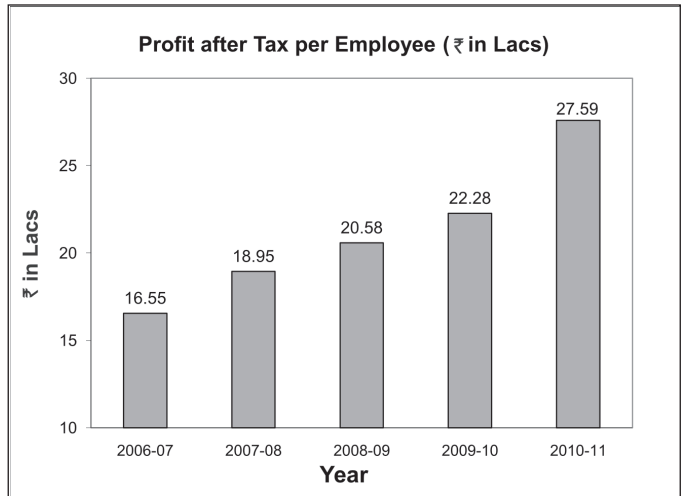
Your Company maintains one of the best libraries in public sector wherein books, popular/ literary magazines and newspapers in Hindi are available. Every year, "Akhil Bhartiya Rajbhasha Sammelan", "Kavi Sammelan", "Drama", and competitions in Hindi writing etc. are also organized.

Attractive incentive schemes for employees have also been instituted for official working in Hindi and to contribute articles/ write ups for in-house magazines.

The effort made by your Company has been applauded in many forums. As a result of the excellent work being done by your Company in the field of Rajbhasha implementation, the Company has been conferred with "NTPC Rajbhasha shield for the year 2009-10" and "Rajbhasha Shiromani" shield. The Company's in-house magazine "Grid Darpan" has bagged "Rajbhasha Grih Patrika Samman" during the year.

### CORPORATE IMAGE THROUGH COMMUNICATION MANAGEMENT

This year, your Company launched the desired publicity campaign wherein the key strengths and expertise of the Company was presented to potential investors. Print and electronic media, TV & radio commercials, outdoor hoardings and investor road



shows were held for publicity campaign. This has equally contributed to the mega success of the Follow-on-Public Offer of the Company.

Your Company launched advertisement campaigns in leading business magazines to pitch the consultancy business to SEBs, IPPs and other potential clients. Your Company also participated in a number of Exhibitions and Conferences including the “World Energy Congress” held in Montreal, Canada so as to maximize brand exposure and to explore business opportunities. Your Company successfully organised the GRIDTECH 2011 exhibition and international conference in which about 120 exhibitors showcased their state-of-the-art products in the field of transmission, distribution and grid management.

Internal communications play a key role in enabling employees across the company to understand and embrace the Company’s mission, goals and strategies. Monthly newsletters, house journals, wall magazines are published & widely circulated to apprise the employees of the developments, achievements & events, viewpoints of management and also give a platform to employees to participate and take pride of their Company. The media centre link of your Company’s website was also revamped as Communication Lounge with new features such as media coverage, PR kit, industrial photography, query form etc.

Your company maintained cordial relations with the media so as to effectively deliver key messages to target audiences. In order to ensure that the Company’s perspective on any given issue is reflected in the media, regular press releases were issued and press conferences were conducted along with interviews of top management were regularly published in leading publications/ journals & electronic media.

### **VIGILANCE - transparency**

Governed by the principles of good Corporate Governance, the Company strives to be accountable to the nation by being as transparent as possible about its operations; and the year gone by was another such year for Company’s renewed commitment to transparency. During the year, a large number of systems improvements were undertaken by the Company to plug loopholes in the system and emphasis was laid on the awareness process in the Company.

Training was imparted to employees on ‘Ethics and Vigilance Matters’ through various preventive vigilance workshops, in which 440 non-vigilance executives were imparted training. Vigilance executives were also sent on training to various organizations like CBI and the National Institute of Criminology and Forensic Science, besides participating in training programmes organized at Corporate Centre. In addition, vigilance executives were also sent on foreign training at RIPA International, London.

Your Company also conducts process online inspections in which critical works are inspected at the initial stage of execution by the vigilance executives for shortcomings, if any. A large number of inspections have been conducted both by Vigilance executives as well as by the Chief Technical Examiner’s Organisation (CTE). On the basis of these inspections, adequate cost compensation was affected for not conforming to technical specifications, wherever applicable. Besides this, a considerable number of CTE paras were also settled during the year.

The Vigilance Awareness Period was organized from 25th October to 1st November, 2010 as per the directives of the Central Vigilance Commission. The pledge was administered to all employees across the Country. During the week, various competitions were organized for the employees and their family members. Billboard and banners were put up at public places in order to generate publicity against corruption. Street plays and road shows were also organized. During this period, debate competitions on topics related to vigilance were also organized at various schools. The week concluded with the release of the in-house journal ‘Candour’ at the valedictory functions wherein prizes were also distributed.

To spread awareness amongst employees and to prevent violation of the Contract Rules, bulk SMS service was inaugurated during the occasion of the Vigilance Awareness Period and sent to all employees in order to educate them on vigilance matters. Bulk SMS on the Conduct, Discipline & Appeal (CDA) Rules are being sent to all the employees every month.

### **MANAGEMENT DISCUSSION AND ANALYSIS**

In addition to the issues in the Directors’ Report, some issues have been brought out in report on Management Discussion and Analysis placed at **Annexure-I** 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 (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988 information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, is given in **Annexure-III** to this Report.

### **COMPTROLLER AND AUDITOR GENERAL’S COMMENTS**

Comments on the Accounts for the year ended 31<sup>st</sup> March, 2011 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 **Annexure-V**, forming part of this Report, together with the Certificate thereon is given in **Annexure-VI** to this Report.

Your Company has got its Secretarial Compliance Audit conducted for the financial year ended 31<sup>st</sup> March, 2011 from M/s. Sanjay Grover & Associates, Practising Company Secretary. Their Report forms part of this Annual Report. (**Annexure-VII**)

## STATUTORY AUDITORS OF THE COMPANY

The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India. M/s A.R. & Co., M/s Umamaheswara Rao & Co., M/s S R I Associates were appointed as Joint Statutory Auditors for the financial year 2010-11.

## COST AUDITORS OF THE COMPANY

POWERGRID had appointed the following Cost Auditors under Section 233B of the Companies Act, 1956 for the Financial Year 2010-11:

Sh. Jugal Kishore Puri, Cost Accountant	-	NR-I, NR-II & SR-II
M/s. Chandra Wadhwa & Co, Cost Accountants	-	WR-I, WR-II & SR-I
M/s. Mani & Co., Cost Accountants	-	ER-I, ER-II & NER

The due date for filing Cost Audit Reports for the financial year 2010-11 with the Cost Audit Branch, Ministry of Corporate Affairs is September 30, 2011 and the same will be filed with the Cost Audit Branch within the stipulated time.

## POWERGRID'S BOARD

During the year, the tenure of four non-official Part-time Directors - Dr. P. K. Shetty, Dr. A. S. Narag, Shri Anil K. Agarwal and Shri F. A. Vandrevale came to an end, who were appointed for a period of three years with effect from July 10, 2007 to July 9, 2010 and accordingly, they ceased to be Directors of POWERGRID. However, they were reappointed by GoI vide order dated October 19, 2010 w.e.f. July 10, 2010 for a period of one year. The tenure of two non-official Part-time Directors Shri Ashok Khanna and Shri S.C.Tripathi came to an end on April 24, 2011 and they ceased to be Directors. The Board wishes to place on record its deep appreciation for the valuable services rendered by Shri Ashok Khanna and Shri S.C.Tripathi, during their association with POWERGRID. Shri J. Sridharan, Director (Finance) superannuated on April 30, 2011 and ceased to be Director on the Board of POWERGRID. The Board also wishes to place on record its deep appreciation and gratitude for the invaluable contribution and unstinted support to the Company given by Shri J. Sridharan during his tenure as Director (Finance).

Further, the tenure of four non-official Part-time Directors - Dr. P. K. Shetty, Dr. A. S. Narag, Shri Anil K. Agarwal and Shri F. A. Vandrevale came to an end on July 9, 2011 and they ceased to be Directors. The tenure of Mrs. Sarita Prasad, non official part time Director came to an end on August 3, 2011. The Board wishes to place on record its deep appreciation for the valuable services rendered by Dr. P. K. Shetty; Dr. A. S. Narag; Shri Anil K. Agarwal; Shri F. A. Vandrevale; Shri Ashok Khanna; Shri S. C. Tripathi; and Mrs. Sarita Prasad.

Shri R. T. Agarwal taken the charge of Director (Finance) with effect from July 29, 2011.

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 read with Article 31(c) (iii) of the Articles of Association of the Company, Shri V. M. Kaul, Director and Shri Rakesh Jain, Director shall retire by rotation at the Annual General Meeting of your Company and being eligible, offer themselves for re-appointment.

## ACKNOWLEDGEMENTS

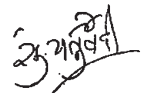
The Board of Directors, with deep sense of appreciation, acknowledges the guidance and co-operation received from Govt. of India, particularly Ministry of Power, Ministry of Finance, Ministry of Home Affairs, Ministry of External Affairs, Ministry of Statistics and Programme Implementation, Ministry of Environment & Forests, Central Electricity Regulatory Commission, Appellate Tribunal for Electricity, Central Electricity Authority, Planning Commission, Department of Public Enterprises, Regional Power Committees, and other concerned Govt. departments/agencies at the Central and State level as well as the Securities and Exchange Board of India, National Stock Exchange of India Ltd., and Bombay Stock Exchange Ltd., 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 and other clients, who have awarded various consultancy works and reposed faith in Company's capability to handle them. The Board also appreciates the contribution of contractors, vendors and consultants for successful implementation of various projects by the Company.

The Directors take this opportunity to thank the Principal Director of Commercial Audit and Ex-Officio Member Audit Board-III for the cooperation during the year. Directors also acknowledge the valuable suggestions and guidance received from the Statutory Auditors during the Audit of Accounts of the Company for the year under review. The Board also conveys its sincere thanks to various national/international financial institutions/ banks/ credit rating agencies for their timely assistance, continued trust and confidence reposed by them on POWERGRID.

We have achieved a great deal this year and none of it would have been possible without the skills and dedication of each member of POWERGRID family at all levels. I would like to thank the Executive team for its strong leadership and all our employees for their commitment and enthusiasm to achieve our aim to be the world's premier transmission network utility.

For and on behalf of the Board of Directors



(S. K. Chaturvedi)

Chairman & Managing Director

Place: New Delhi

Date: 04.08.2011

## Management Discussion and Analysis

### Economic outlook

The Growth rate of the Country's Gross Domestic Product<sup>1</sup> posted a further recovery of 8.5 per cent in 2010-11 representing an increase from the revised growth of 8.0 per cent during 2009-10 and from 6.7 per cent during 2008-09. The growth shows that the Country emerged rapidly from the economic slowdown caused by the global financial crisis of 2007-09. To ensure the envisaged GDP growth, Power Sector needs to grow at a rate higher than that of GDP. Therefore, continued focus on investments on Power sector is essential.

### Sectoral outlook

The 11<sup>th</sup> Plan had originally envisaged a capacity addition of 78,700 MW. The revised mid term appraisal target for total capacity addition is now 62,374 MW, which is about three times the capacity addition that took place in the 10<sup>th</sup> Plan. In terms of capacity addition, the revised targets of Centre and States for the Eleventh Plan are as under:

#### Revised Targets for Capacity addition during Eleventh Plan

(in MW)

Sector	Commissioned till 31st Dec., 2009	Likely in the remaining period	Total with high degree of certainty	With best efforts
Central	4,990	16,232	21,222	4,530
State	9,112	12,243	21,355	1,130
Private	4,990	14,808	19,797	6,930
All-India	19,092	43,282	62,374	12,590

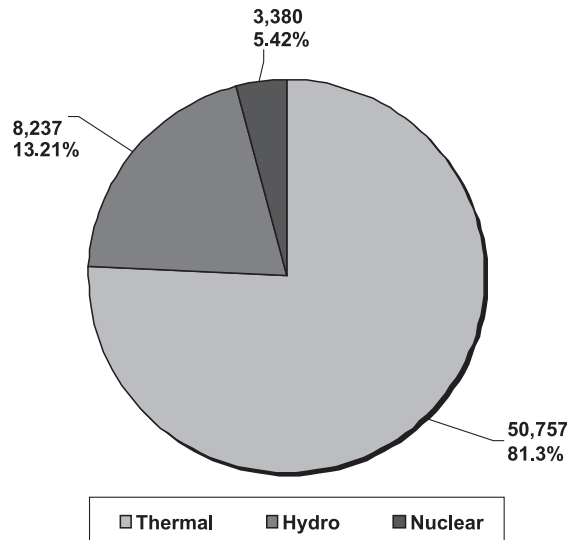
Source: document on Mid-Term Appraisal of the eleventh Five Year Plan. Planning Commission, Gol

The revised targets of Capacity addition during Eleventh Plan, Source wise are as under:

(in MW)

Sector	Hydro	Thermal	Nuclear	Total
Central	2,922	14,920	3,380	21,222 (34 %)
State	2,854	18,501	-	21,355 (34 %)
Private	2,461	17,336	-	19,797 (32 %)
<b>Total</b>	<b>8,237</b>	<b>50,757</b>	<b>3,380</b>	<b>62,374 (100 %)</b>

Source: document on Mid-Term Appraisal of the eleventh Five Year Plan. Planning Commission, Gol



The capacity addition till 31<sup>st</sup> March, 2010 was 22,301.70 MW<sup>2</sup>. Further to that during the financial year 2010-11, the Capacity addition achieved is 12,160.50MW<sup>3</sup>.

<sup>1</sup> at factor cost at constant prices

<sup>2</sup> Source: document on Mid-Term Appraisal of the eleventh Five Year Plan. Planning Commission, Gol

<sup>3</sup> Source: CEA website- [www.cea.nic.in](http://www.cea.nic.in)



The Installed Generation Capacity as on 30-06-2011 is as under:

All India	Thermal				Nuclear	Hydro (Renewable)	RES @ (MNRE)	Grand Total
	Coal	Gas	Diesel	Total				
MW	96743.38	17706.35	1199.75	115649.48	4780.00	38106.40	18454.52	176990.40
%age	54.7	10.0	0.7	65.3	2.7	21.5	10.4	100.00

@ based on data as on 31.01.2011.

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

The scenario of power generation by power utilities during 2010-11 in the thermal, nuclear, and hydro has been as under:

Power Generation by Utilities (Billion KWh)			April-December		Growth (per cent)
	2008-09	2009-10	2009-10	2010-11	
Power Generation	723.79	771.17	571.573	597.290	4.50
i) Hydroelectric*	113.08	106.680	83.360	90.145	8.14
ii) Thermal	590.01	640.876	469.694	483.932	3.03
iii) Nuclear	14.8	18.636	13.408	17.849	33.12
iv) Bhutan Import	5.9	5.358	5.111	5.364	4.96

\* Excludes generation from hydro stations up to 25 MW

Source: Economic Survey 2010-11

Good monsoon and improved availability of water moderated demand as well as supply of power. While the agricultural requirement of power reduced; however, there were some developments which adversely affected growth in thermal generation e.g. reserve shut down, scheduling of generation from costlier liquid fuel and gas based plants, commissioning of stabilization of some of the new thermal power stations, unscheduled/ extended planned maintenance of some of the thermal units, shortage of domestic /imported coal.

Electricity Generation Target/Achievement for the year 2011-12 is as under:

	Hydro	Thermal	Nuclear	Bhutan (Imp)	Total
Target (MU)	112050.00	712234.00	25130.00	5586.00	855000.00
Achievement up to June,11 (MU)	32265.14	176250.85	7894.8	814.65	217225.44

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

Growth of Transmission Sector as on 30.06.2011 is as under:

	Central Sector	State Sector	JV/Pvt.	Total
Transmission Lines (ckm.)				
765kV	4617	409	-	5026
400kV	72059	31493	5884	109436
220kV	10448	125092	425	135965
±500kV HVDC Lines (ckm)	5948	1504	1472	8924
Sub Station: (MVA)				
765kV	4500	0	-	4500
400kV	67340	66522	630	134492
220kV	5856	201365	1440	208661
±500kV HVDC Converter/BTB Stn. Converter Terminal (MW)	9500		1700	11200

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

The All India Village Electrification as on 31.03.2011 is 537947 (90.6%) as against 497950 as on 31.03.2010(83.9%).

Power supply position 2011-12 (JUNE, 11)\*

Region	Energy (MU) Requirement	Deficit %	Peak Demand (MW)	Deficit %
Northern	23,676	-3.6	37,651	-8.2
Western	22,424	-7.9	37,392	-12.5
Southern	19,507	-4.5	31,301	-6.1
Eastern	7,665	-4.0	13,414	-5.5
North Eastern	911	-11.3	1,758	-11.0
All India	74,183	-5.3	121,516	-8.7

\* Provisional

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

## POWERGRID - the company

POWERGRID is a “Navratna” Company for more than three years now. The Navratna status provides us with powers to undertake new transmission projects of any amount without Government approval.

POWERGRID is also entrusted with role of Central Transmission Utility (“CTU”) by GoI. 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. As CTU we are required to:

- (a) undertake transmission of electricity through the inter-state transmission system;
- (b) discharge all functions of planning and co-ordination relating to inter-state transmission systems, with certain specified authorities and stakeholders;
- (c) ensure development of an efficient, coordinated and economical system of inter-state transmission lines for smooth flow of electricity from generating stations to load centres; and
- (d) provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act.

In line with above, POWERGRID, the CTU is playing a pivotal role in Inter-State Transmission network planning and development at regional and national level. The network is developed based on the National Electricity Plan in coordination with all concerned agencies. Nine nos. high capacity transmission corridors mainly comprising of 765kV D/C and  $\pm 800$ kV 6000MW HVDC lines are being developed across the country to enhance the transmission capacity of the National grid and facilitate transfer of power from various generation complex to bulk load centres in particular and development of competitive electricity market in general. Regulatory approval for implementation of above corridors also obtained by CTU. In addition, a number of grid strengthening schemes including inter-regional strengthening have been identified by CTU for implementation. Above schemes shall facilitate enhancement of ISTS as well as inter-regional capacity. Further, to encourage the capacity addition programme, CTU has been a catalyst in introduction of connectivity, Short / Medium-term Open Access (STOA/MTOA) and Long-term Access (LTA) mechanisms. CTU in its role towards providing connectivity and Medium-term Open Access(MTOA), Long-term Access (LTA), has already granted LTA to 135 applicants and connectivity to 39 IPP applicants with total capacity of about 155,000MW including MTOA.

Considering the need for sustainable development, CTU has imparted focus towards integration of emerging technologies like 1200kV UHVAC,  $\pm 800$ kV 6000MW HVDC, FACTS, Smart Grid etc. into transmission development, which are first of its kind in the country.

Towards development of transmission infrastructure through tariff based competitive bidding process, CTU is also playing key role. CTU has already identified transmission schemes worth ₹ 10,000 Cr. which are being implemented through tariff based competitive bidding process. CTU is providing technical inputs in Standard Bidding Document (SBD), finalisation of implementation schedule of transmission system to be implemented through tariff based bidding in coordination with CEA.

CTU during operation stage is also carrying out Billing, Collection and Disbursement of ISTS transmission charges besides signing of TSA (Transmission Service Agreement) and RSA (Revenue Sharing Agreement) with the ISTS users.

A major development in the transmission sector is that tariff based competitive bidding has been effective for transmission projects w.e.f. 06th January, 2011. Competitive bidding, however, is not applicable for transmission projects requiring upgradation/strengthening of existing transmission lines and associated sub-stations and also not for projects for which Bulk Power Transmission Agreement/Transmission Service Agreement (BPTA/TSA) have been signed upto 05.01.2011. POWERGRID had already signed BPTAs for nine nos. of High Capacity Power Transmission Corridors which have a tentative cost estimate of about ₹58000 crore, to be executed progressively through XII Plan and for a no. of other projects.

Exemptions have also been extended by Ministry of Power in July, 2011 from competitive bidding route for first two experimental works for 1200 kV UHVAC line; works to cater an urgent situation or any requirement in compressed time schedule by CTU/State transmission Utility (STU), as decided by Central Govt. on a case to case basis; for intra-state transmission projects by STUs for further 2 years beyond 6th Jan, 2011.

### 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, 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. POWERGRID has, till 31<sup>st</sup> March, 2011:

- Established Transmission Network of 82,355 Circuit kms. of Extra High Voltage Transmission Lines, 135 nos. of EHVAC & HVDC sub-stations with a total transformation capacity of 93,050 MVA.
- Inter-regional power transfer capacity of about 22,400 MW<sup>1</sup>,
- Maintained the transmission system availability at 99.80% at par with the International utilities.
- Wheeled about 50% of the total power generated in the Country through its transmission network.

<sup>1</sup> With the commissioning of Rourkela-Raigarh 400kV D/c transmission line in July, 2011, the Inter-regional transmission capacity of your Company has been enhanced to 23,800 MW.

## POWERGRID's commitment towards furtherance of National Grid

During the year, the Company has added transmission network of 4766 Circuit Kms. and 11 EHV AC Sub-stations and transformation capacity of 5010 MVA. The target and achievement of POWERGRID in project implementation during the year 2010-11 have been as under:

Works	Target to achieve (Excellent rating as per MOU)	Achievement	Percentage
Foundation (Nos.)	14000	14627	104.48
Tower Erection (Nos.)	13000	13086	100.66
Stringing (in cKms.)	7500	7044	93.92
Transmission Lines ready for commissioning (in cKms.)	7500	4766	63.55*
Transformation Capacity addition (MVA)/ready for commissioning	5640	5010	88.83

\*Shortfall on account of RoW problem / delay in Forest Clearances.

The company has undertaken development of certain transmission lines with private parties, in public-private Joint Ventures. The detail in this regard has been provided later in the discussion. The commercial and operational performance and project implementation are in the Directors' Report.

### Resolving Right-of-Way Constraints and Construction Challenges

POWERGRID is implementing various projects relating to development of inter-State transmission system, system strengthening schemes, transmission system for evacuation of power from generation projects under Central Sector and Ultra Mega Power Projects (UMPPs) including many projects under consultancy assignments. This entails multi-dimensional challenges relating mainly to accessibility, construction, feasibility, technical restrictions, conservation of environment and right-of-way etc. POWERGRID, apart from using modern techniques for route alignment and optimization of line length of transmission lines, vendor development, etc. has taken various measures to resolve constraints which inter-alia includes following:

- **Development of 765kV D/c transmission line**

Recognizing the requirement of bulk power transfer coupled with issues in getting Right-of-Way for construction of transmission line, focus has been imparted towards increasing the power transfer capacity of the transmission corridor. Towards this, POWERGRID has developed high capacity 765kV double circuit transmission corridor first time in India utilizing almost same Right-of-Way as that of 765kV single circuit line. This shall facilitate enhancing the power transfer capacity of the corridor by almost double than that of 765kV single circuit corridor. Such type of high capacity corridors are being developed by POWERGRID as part of transmission system of IPPs in Chhattisgarh, Orissa, Jharkhand, etc.

- **Development of 400kV Multi circuit transmission line**

In areas where there are serious Right-of-Way constraint for laying a number of 400kV transmission lines, multi-circuit towers are being provided so that two nos. 400kV double circuit lines can run on a single tower. It has resulted into reduction in Right-of-Way requirement as well as minimized the impact of flora and fauna. Such type of multi-circuit lines are being developed as part of transmission system of IPP Projects in Sikkim, Chhattisgarh, DVC projects, WRSS-V, Kudankulam, Vellur-I Transmission System, etc.

- **Providing training to enhance availability of skilled manpower for construction**

To achieve target set for Transmission Sector, availability of adequate trained and skilled manpower is essential. POWERGRID, as part of Corporate Social Responsibility and capacity building initiative, had undertaken training 1000 workmen approximately for tower erection and transmission line stringing activities. The first batch of 58 participants have been imparted training and the second batch of 56 participants are undergoing training.

- **Sustainable Development**

- a) **Green Initiative:**

As a responsible organization, POWERGRID utilizes its technological resources to optimize route alignment for its transmission line with particular emphasis on avoidance of Forest, National Park / Wildlife Sanctuaries and other ecologically sensitive areas and due to its efforts, substantial reduction in the involvement of forest has been achieved.

During the Financial Year 2010-11, POWERGRID has obtained "in-principle" approval from MoEF for approx. 1033 hectare of forest land for line 400 kV Parvati-Amritsar, Chamera - Jalandhar, Koderma- Biharsharif, Maithan-Ranchi, Korba-Birsingpur, Lower Subansiri-Biswanath Chariali & 765 kV Seoni-Wardha T/L, etc. and final approval for 244 hectare of forest land after complying with the stipulated conditions of in-principle approval for lines like 220 kV Rajera-Chamera III, 400 kV Koderma-Biharsharif, Korba-Raipur, Raipur-Wardha, etc.

The process of obtaining forest clearance has become lengthier/complex due to circular of Ministry of Environment and Forest (MoEF), requiring written consent of concerned Gram Sabha under the Forest Rights Act, (FRA) 2006 for all the proposals for diversion of forest land. POWERGRID sought exemption for transmission project from the ambit of FRA, 2006 from MoEF, since transmission line are linear project and are drawn substantially high above the ground avoiding possible encounter with such sensitive habitat/tribal areas. Such exemption, if granted shall go a long way in facilitating implementation of transmission projects on scheduled date.

#### **b) Land availability for Sub-stations:**

To mitigate scantiness of Land, particularly in suburbs of cities, POWERGRID has undertaken establishment of Gas Insulated Sub-stations (GIS) in place of conventional Sub-stations. Presently, there exists three numbers of GIS Sub-stations and about nine numbers of GIS Sub-stations are under execution.

### **Operational Efficiency through Technology absorption**

- Replacement of conventional porcelain insulators with polymer insulators in polluted stretches have considerably reduced pollution related trippings and resulted in smooth operation of Northern Grid in foggy winters of 2010-11.
- POWERGRID has implemented Smart Grid Pilot Project first time in India using WAMS (Wide Area Measurement Technology) with successful commissioning of 8 numbers of Phasor Measurement Units (PMUs) in Northern Region. New Time Synchronized PMU data is helping Grid Management in Northern Region by providing deeper insight into the System, increasing loadability of lines, flow control on power corridors. Further, implementation of Smart Grid WAMS Project in WR, ER, SR and NER as part of Pilot Project are under various stages of implementation.
- POWERGRID has taken substantive initiative to modernize its infrastructure and services by introduction of remote operation of good number of substations for more effective utilization of our manpower and efficiency in operation.

### **Managing exigency:**

Department of Telecommunication (DoT) decided to allocate Microwave Frequencies to Broadband Wireless Access Services. POWERGRID was advised to release the 2.3-2.5 GHz frequency band used for ULDC Project. This challenge was accepted by POWERGRID and now fibre optic based Communication Network of 9614 kms covering NR, ER, SR & NER regions is under implementation after due approval of all stakeholders.

### **Adequate coverage for Assets and Loss of Profit:**

POWERGRID is in advanced stage of procuring Mega/Large Risk Policy from external Insurance agency(ies). This policy would cover inter alia sub-station equipment in switchyard area along with control room building for all sub-stations (AC & HVDC) for material losses due to machinery breakdown, earthquake etc. and also Loss of Profit due to Fire and Machinery Damage. Earlier, the Insurance policy from external agency was taken for all HVDC Bi-pole & back to back Stations, 765 kV AC Substations, TCSC, FSC, SVC, GIS etc. and assets of 400kV and below AC sub-stations were covered under the Self Insurance Scheme (SIS) for fire and allied perils without machinery breakdown.

### **Some Major Risks and Mitigation:**

Some of the risks involved in execution of our projects and their mitigation generally are:

**a) Synchronization Risk with generation projects:-** There could be always a gap in the commissioning of generation units with the transmission system and there might be delays in the materialisation of some of the generation projects.

To mitigate the same, the IPPs are signing Bulk Power Transmission Agreement (BPTA) with POWERGRID to share and bear the applicable transmission charges as decided by CERC from the scheduled date of commissioning of respective generating units, corresponding to the capacity of power contracted from the said generation project through open access, irrespective of their actual date of commissioning. Subsequently, when the beneficiaries are firmed up, applicable transmission charges and other charges are to be payable by the concerned beneficiary from the date of signing of the agreement by POWERGRID with the concerned beneficiary.

**b) RoW & Forest Clearance Risk:-** Our Projects may get affected in case there is any delay in obtaining the Right of Way (RoW) for transmission lines; and Forest Clearance from MoEF under Forest Conservation Act for the passage of transmission line passing through forest area.

MOEF clearance is required for the involvement of the Forest. However, considering experience of POWERGRID in dealing with the Forest clearance, POWERGRID envisage overall risk to be moderate. However, in case there is any risk relating to RoW or forest clearance, this may affect the related projects. Further, the transmission projects are out of the purview of Environment (Protection) Act 1986 except in some notified areas.

**c) Revenue Realization Risk:-** There may be realization of tariff lesser than what is anticipated due to non-acceptance of project cost by CERC and Changes in tariff norms by CERC.

The revenue generation is estimated in line with CERC guidelines and is expected to be approved by CERC. However it can be confirmed only after final hearing is done and an order is passed.

**d) Credit Risk:-** In the past for many years till financial year 2010-11, we were getting about 100% of our billing within the same month. However, during the financial year 2011-12, certain states like Delhi, Tamil Nadu, Bihar and some North Eastern states are availing 60 days grace period for clearing the dues as allowed under CERC regulations. Further, Delhi, Daman & Diu, certain NER states continue to default beyond 60 days for which appropriate action such as regulation notices and vigorous persuasion is being undertaken.

### Integrated Management Policy:

POWERGRID is committed to:

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

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

### Internal Control

POWERGRID has a comprehensive Internal control mechanism to verify the Accounting and Financial Management System, adequacy of controls, material checks, financial propriety aspects and compliance implementation mechanism. POWERGRID has updated its Internal Audit Manual in consultation with M/s Deloitte Haskins & Sells. The implementation of the same is in progress. Audit Plan in respect of Internal Audit and Physical Verification for the Financial Year 2011-12 has been finalized with in-house Audit Department and experienced firms of Chartered Accountants.

As on 31<sup>st</sup> March, 2011, the Company had an Audit Committee in place as per Clause 49 of the Listing Agreement which had three independent Directors and one Non-Executive Director.

### Risk Management Procedure

POWERGRID has developed ‘Enterprise Risk Management Framework’ and ‘Internal Control Framework in accordance with Clause 49 of the listing agreement with consultancy services provided by M/s KPMG. These frameworks have been approved by POWERGRID Board and for implementation of the same, training of manpower/ workshops at the Regions are underway. General Manager (Corporate Planning) has been appointed as Chief Risk Officer of the Company. The framework will be operationalised w.e.f. 01.09.2011. This Policy will complement other specific risk management programs, policies and tools already in use within POWERGRID.

### Financial Discussion and Analysis

#### Comparison of Fiscal 2011 to Fiscal 2010

Your Company’s total income in Fiscal 2011 was ₹ 9099.80 crore, which represented an increase of 21.27% over the total income of ₹ 7503.58 crore in Fiscal 2010. In Fiscal 2011, transmission and transmission-related activities constituted 86.84% of our total income, with the balance coming from our consultancy, telecommunication business and other incomes.

#### Income

##### Revenue from Operations

	(₹ in crore)	
<b>Revenue from Operations</b>	<b>Fiscal 2011</b>	<b>Fiscal 2010</b>
Revenue from transmission charges	7690.64	6576.38
Transmission income from short term open access	211.51	124.18
Consultancy fees	299.35	269.17
Revenue from telecom	187.20	157.72
Total	8388.70	7127.45

The revenue was higher in Fiscal 2011 as compared to Fiscal 2010 mainly on account of full year impact of transmission assets worth ₹ 3609.82 crore commissioned during fiscal 2010 and the commissioning of new transmission assets worth ₹ 7313.00 crore during fiscal 2011 including the major projects Barh Transmission System, Kudankullam Transmission System, Western Region System Strengthening – II. The projects commissioned in Fiscal 2011 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. As per the Tariff Policy issued by Gol on 6<sup>th</sup> January, 2006, Central Electricity Regulatory Commission (CERC) shall be guided by the Tariff Policy while specifying the terms and conditions for the determination of tariff. The CERC has vide its notification dated 19<sup>th</sup> January, 2009 notified the tariff regulations applicable 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 & maintenance expenditure and interest on working capital.

Earlier, tariff norms allowed us to recover income tax as pass through 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 by grossing up the base rate of return on equity of 15.5% at the tax rate applicable to the Company. 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.

The repayment of loan capital for the year of the tariff period 2009-14 is deemed to be equal to the depreciation allowed for that year. Despite any moratorium period availed by your Company, the repayment of loan is considered for tariff from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

For interest on working capital, the working capital amount is calculated as - (i) 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 for the year is on normative basis and is 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, whose date of commercial operation falls on or before 30.06.2010; and SBI Base rate plus 350 basis points as on 01.07.2010 or on 1st April of the year in which the transmission system, is declared under commercial operation, whichever is later whose date of commercial operation falls between the period 01.07.2010 to 31.07.2014;

Recovery of transmission charge and incentive is permitted to your company 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 are now linked with monthly transmission charges as against being linked to equity in the block of 2004-09.

The tariff norms prescribed by CERC for the tariff Block 2009-2014 prescribe that the 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.

### Foreign Exchange Rate Variation:

Your company under the tariff regulations for the block 2009-14 has an option 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 and recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt, in the relevant year.

If hedging of the foreign exchange exposure is not undertaken, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year is permissible provided it is not attributable to the generating company or the transmission licensee or its suppliers or contractors. During the financial year 2010-11, no hedging for foreign exchange exposure has been undertaken by your company.

CERC has notified on 2nd May 2011 and made effective from that date, the first amendment to Terms & Conditions of Tariff Regulations 2009-14, wherein the Commission may consider in its discretion to grant provisional tariff upto 95% of the annual fixed cost of the project claimed in the application, subject to adjustment of transmission charge after the final order has been issued.

CERC has issued terms and conditions of Tariff (Second amendment) Regulations, 2011 on 21.06.2011 through which inter alia, grossing up of Income Tax in the RoE as per the extant rate of MAT in the respective years of current Tariff Block of 2009-14 has been allowed instead of earlier provision of its truing up during the next Tariff Block. Accordingly, arrears on this account have been billed.

The Tariff Policy, 2006 inter alia states that the transmission pricing should be sensitive to distance, direction and quantum of power flow. The Regulations on Sharing of Inter-State Transmission Charges & Losses, 2010 notified on 15.06.2010, factors distance & direction sensitivity in transmission charges and losses besides quantum of power flow, in line with the Tariff policy. The regulations came into force from 01.07.2011. While the existing system of pricing for Inter State Transmission System is based on Regional postage stamp mechanism, which apportions the Annual Fixed Charges of transmission assets prorated to their allocated inter-state MW capacity, under the new pricing mechanism, generation and demand zones comprising of electrically and geographically contiguous nodes have been identified and the charges (henceforth called point of connection charges) are allocated on the basis of use of the ISTS, determined through analysis of power-flows. In this model, user of ISTS (called as DICs

(Designated ISTS Customers)) would be liable to pay transmission access charges directly to the transmission utility. Inter State Generating entities and demand customers connected to ISTS are DICs. CERC has notified NLDC (National Load Dispatch Centre) as Implementing Agency (IA) for computation of PoC charges, which are to be approved by CERC .

As per these regulations, POWERGRID, as CTU, has been mandated to perform the activity of Billing, Collection and Disbursement (BCD) on behalf of all the ISTS licensees.

In this regard, TSA (Transmission Service Agreement), RSA (Revenue Service agreement) and BCD (Billing, Collection and Disbursement) procedures have been approved by CERC on 29.04.2011. The signing of TSA/RSA with the DICs on all India basis is under progress. With the implementation of these Regulations, method of sharing of Transmission Charges among the beneficiaries shall change, though the Annual Tariff of POWERGRID remains the same. However, its sharing among various DICs shall undergo a change.

CERC has issued orders for POSOCO portion of ULDC scheme as per CERC (Fees and charges of Regional Load Dispatch Centres and other related matters) Regulations, 2009 for the period 2009-14. The billing is being done by POSOCO for their portion.

The billing for POWERGRID portion, is provisionally being done as per the existing CERC orders for 2004-09 period after giving effect to the reduction in the asset value transferred to POSOCO. The Regulation for Non-POSOCO assets are being framed by CERC. Thereafter, POWERGRID would be filing application to CERC for tariff for 2009-14 period.

The Regulations on CERC (Grant of Connectivity, Long Term Access & Medium Term Open Access in inter-State Transmission and related matters), which facilitates in providing transmission products of different varieties and ensuring level playing field among different categories of market players have been made effective from 01.01.2010 along with the standardized procedures. The CERC vide its order dt. 31.05.2010 has granted regulatory approval to the proposal of POWERGRID for the following nine nos. of High Capacity Power Transmission Corridors which have a tentative cost estimates of about ₹58000 crore:

- 1 HCPTC – I (Transmission System Associated with Phase-I Generation Projects in Orissa)
- 2 HCPTC – II (Transmission System Associated with IPP projects in Jharkhand)
- 3 HCPTC – III (Transmission System Associated with IPP projects in Sikkim)
- 4 HCPTC – IV (Transmission System Associated with IPP projects in Bilaspur complex, Chattisgarh & IPPs in Madhya Pradesh)
- 5 HCPTC – V (Transmission System Associated with IPP projects in Chattisgarh)
- 6 HCPTC – VI (Transmission System Associated with IPP projects in Krishnapatnam Area, Andhra Pradesh)
- 7 HCPTC – VII (Transmission System Associated with IPP projects in Tuticorin Area, Tamil Nadu)
- 8 HCPTC – VIII (Transmission System Associated with IPP projects in Srikakulam Area, Andhra Pradesh)
- 9 HCPTC – IX (Transmission System Associated with IPP projects in Southern Region for transfer of power to other regions).

These transmission corridors mainly comprises high technology 765kV AC and  $\pm 800$ kV 6000MW/ $\pm 600$ kV 4000MW HVDC system. This approval has been given in the context of the provisions of Tariff Policy notified in 2006 which stipulated that prior agreement with the users would not be a precondition for network expansion and the transmission utilities should undertake network expansion after identifying the requirements in consonance with the National Electricity Plan and in consultation with the stakeholders, and taking up the execution after due regulatory approvals. Your Board has granted investment approvals to some of the schemes under the said corridors.

The Regulations on 'Grant of Regulatory Approval for execution of inter-State Transmission Scheme to Central Transmission Utility' notified on 31.05.2010, streamlines the procedure for according regulatory approval to Central Transmission Utility for network expansion in consonance with the National Electricity Plan which stipulates that prior agreement with the beneficiaries would not be a pre-condition for network expansion.

### 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 transmission charges for providing access to the Transmission System and the same is accounted for as revenue from operations. Your Company's Transmission income from short term open access (STOA) was ₹ 211.51 crore in Fiscal 2011, an increase of 70.33% over Transmission income from short term open access of ₹ 124.18 crore in Fiscal 2010. The increase in income in STOA is on account of increase in volume in Bilateral STOA Transactions/Collective Transactions; revision in the rate of transmission charges by CERC with effect from 15-06-2009 from 03 Paise/06 Paise/09 Paise Per Unit to 08 Paise/16 Paise/24 Paise Per Unit for Intra-Region, Adjacent Regions, through one or more region transactions in STOA Bilateral, respectively; and increase in Transmission Charge rate for Collective Transactions through Power Exchanges from 03 Paise/Unit to 10 Paise/Unit for each point of injection and each point of drawal.

### 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 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 an increase in consultancy revenue from ₹ 269.17 crore in Fiscal 2010 to ₹ 299.35 crore in Fiscal 2011, an increase of 11.21%.

The revenue from our telecommunication business is mainly on account of leasing bandwidth of our fibre-optic lines. The Telecom revenue grew by 18.69 % in Fiscal 2011 to ₹ 187.20 crore from ₹ 157.72 crore in Fiscal 2010.

### Provisions Written Back

The provisions written back were ₹ 40.22 crore in Fiscal 2011, as against ₹ 0.21 crore in Fiscal 2010. The major item included is ₹34.46 crore being write back for provision for doubtful recovery of dues on actual recovery.

### Other Income

Your company's other income was ₹ 670.88 crore in Fiscal 2011, an increase of 78.46% over the other income of ₹ 375.92 crore in Fiscal 2010.

(₹ in Crore)

Other Income	Fiscal 2011	Fiscal 2010
Dividend on trade investments	74.82	24.37
Interest income – bonds and long term advances	99.30	116.41
Interest income – banks	131.58	39.58
Interest income – others	123.04	23.98
Profit on sale of fixed assets	0.13	1.13
Deferred income (transfers from grants in aid)	20.26	26.53
Operational charges in respect of short term open access	12.99	25.19
Transfer from insurance reserves on a/c of loss of fixed assets	2.21	0.34
Lease income from state sector ULDC upgrades	74.02	56.45
Surcharge on late payment from customers	6.07	7.95
FERV gain	78.67	4.69
Miscellaneous income	47.79	49.30
Total Other Income	670.88	375.92

The other income increased mainly because there had been increase in dividend from Joint Ventures, interest income from investments in Banks, because in the Fiscal 2011 there was interest earning on the unutilized proceeds of FPO. Higher amount of interest was realized from beneficiaries on arrears and dues. There is decrease in interest income on tax free bonds on account of repayment of bonds. Besides, there is increase in Lease income from State-sector ULDC upgrades due to receipt of arrears.

### Expenditures

Your company's total expenditures were ₹ 5270.70 crore in Fiscal 2011, an increase of 10.24% over the total expenditures of ₹ 4780.99 crore in Fiscal 2010. The total expenditures as a percentage of total income were 57.92% in Fiscal 2011 compared to 63.72% in Fiscal 2010.

### 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 9,775 employees on our payroll as of March 31, 2011, compared to 9,162 employees as of March 31, 2010. Employees' remuneration and other benefits increased by 2.64% to ₹ 745.89Crore in Fiscal 2011 from ₹ 726.70Crore in Fiscal 2010. The increase is due to increase in the number of employees, increase in Dearness Allowance, and implementation of pay revision for supervisors and workmen.

### 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 15.41% to ₹ 585.65 crore in Fiscal 2011 from ₹507.43 crore in Fiscal 2010. The increase is on account of the capitalization of transmission assets worth ₹ 7313 crore in Fiscal 2011 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. The increase is also due to lesser amount transferred to Incidental Expenditure during Construction (refer Note 15 of schedule 28 : Notes to Accounts).

### Depreciation

Ministry of Corporate Affairs vide General Circular No. 31/2011 dt. 31<sup>st</sup> May, 2011 clarified that "since the rates of depreciation and methodology notified under Electricity Act, 2003 are inconsistent with the rates given in Schedule XIV of the Act and the former being special Act, the former shall prevail over rates notified under Schedule XIV of the Companies Act by virtue of section 616(c) of the Companies Act." In accordance with the Tariff Policy dt. 06.01.2006 of Govt. of India, CERC, as part of tariff norms applicable for the block 2009-14, has notified specified depreciation rates in first 12 years of operation of transmission assets and thereafter amortization of residual value over the residual life. Accordingly, depreciation on the transmission assets for the year has been provided as per rates and methodology notified under CERC Regulations.



Your company's depreciation increased by about 11.10% to ₹ 2199.39 crore in Fiscal 2011 from 1979.69 crore in Fiscal 2010. The increase was mainly because of the commissioning of new transmission assets worth ₹ 7313.00 crore and full-year impact in Fiscal 2011 of transmission assets ₹ 3609.82 crore which were commissioned during Fiscal 2010.

Currently, the technical life of each depreciable asset class as prescribed by CERC is as follows:

- transmission lines – 35 years
- substations – 25 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.

ULDC assets other than assets identified to be transferred to Power System Operation Corporation are depreciated @ 6.67% per annum as determined by CERC for levelled tariff.

### Interest and Finance Charges

Interest and finance charges increased by 12.36% to ₹ 1733.93 crore in Fiscal 2011 from ₹ 1543.24 crore in Fiscal 2010. The increase was mainly because of increase of interest on foreign currency loans due to increase in LIBOR from 0.44% as on 31.03.2010 to 0.46% as on 31.03.2011 and commissioning of new Transmission Assets worth ₹ 7313.00 crore which were earlier capitalized but now treated as operating expenditure.

These charges include rebates to state power utilities amounting to ₹102.78crore on account of prompt payment and guarantee fees of ₹ 84.83 crore (net of IEDC) 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 increased by 4.49% to ₹ 1.86 crore in Fiscal 2011 from ₹ 1.78 crore in Fiscal 2010. The amortization has been done in line with accounting policy 12.

### Profit before Tax

Your company's profit before tax in Fiscal 2011 was ₹ 3824.73 crore, an increase of 45.63% over our profit before tax of ₹ 2626.32 crore in Fiscal 2010.

### Provision for Tax

In Fiscal 2011, we provided for ₹ 684.61 crore of Minimum Alternate Tax, compared to ₹ 421.91 crore in Fiscal 2010. The increase was primarily due to increase in PBT and increase in MAT rate in fiscal 2011.

Provision for deferred tax is made in respect of temporary differences mainly on account of higher depreciation rates available under income tax provisions.

### Profit after Tax

Your company's Profit after Tax in Fiscal 2011 was ₹ 2696.89 crore, an increase of 32.14 % over our Profit after Tax of ₹ 2040.94 crore in Fiscal 2010.

## 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, 2011, your Company had cash and cash equivalents of ₹ 3680.06 crore. As at March 31, 2011, we also had unutilized Bank Guarantees of approximately ₹ 74.15 crore for capital requirements and committed and undrawn cash credit facilities of approximately ₹ 300 crore ("cash credit") towards our working capital facilities.

### Cash Flows

(₹ in crore)

Description	Year ended March 31, 2011	Year ended March 31, 2010
Net cash from operating activities	5687.94	6619.17
Net cash (used in) investment activities	(13331.03)	(9660.86)
Net cash from financing activities	8045.51	3890.45
Cash and cash equivalents at the end of the year	3680.06	3277.64

### 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 ₹ 5687.94 crore in Fiscal 2011 as against ₹6619.17 crore in Fiscal 2010. Changes in current assets and liabilities that had a current period cash flow impact of decrease in working capital of ₹ 1665.48 crore, primarily from an increase in trade and other receivables and decrease in other liabilities on transfer of certain liabilities to POSOCO.

### Net Cash (used in) Investment Activities

Your company's net cash used in investing activities was ₹ 13331.03 crore in Fiscal 2011 as against ₹ 9660.86 crore in Fiscal 2010. 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 ₹ 13567.48 crore, investment in joint ventures/subsidiaries of ₹ 97.23 crore and receipt of interest and dividend income of ₹174.12 crore.



## Net Cash from Financing Activities

In Fiscal 2011, your company's net cash flow from financing activities was ₹ 8045.51 crore as against ₹ 3890.45 crore in Fiscal 2010. Your Company made Follow on Public Offer & allotted 420,884,123 fresh equity shares of face value of ₹ 10/- each at a premium of ₹ 80/- each (₹ 75.50/- each for retail investors) thereby raised ₹ 3712.90 crore (net of issue expenses). Your company raised ₹ 8056.63 crore of new borrowings. These borrowings included principally Rupee denominated bonds and foreign currency borrowings. In addition, short term loan of ₹ 1450 crore was also raised. The company repaid ₹ 3041.02 crore of borrowings (including short term borrowing of ₹ 1250 crore) and paid interest and finance charges of ₹ 1451.30 crore. In the Fiscal 2011, we paid dividends of ₹ 652.39 crore comprising final dividend for Fiscal 2010 and an interim dividend for Fiscal 2011. The dividend for the financial year 2010-11 (including proposed final dividend @12.5%) is ₹ 810.23 crore. The dividend payout works to 30.04% of PAT.

## 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 2011 and Fiscal 2010, were ₹ 12,005 crore and ₹ 10,617 crore, respectively. Capital expenditure budget for Fiscal 2012 has been approved for ₹ 17,700 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 2011 on transmission assets under our tariffs has been 15.5%. Our actual Return on Equity from period to period across our entire business is 12.63% as against 12.83% in Fiscal 2010. This is mainly due to: (i) locking of equity funds in capital work-in-progress as per CERC norms, (ii) increase in net worth by raising funds through FPO which will yield return after gestation period, (iii) 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 ₹ 37,223.98 crore and ₹ 32,061.26 crore as at March 31, 2011 and March 31, 2010, 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 16.10% in Fiscal 2011 as compared to Fiscal 2010. 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 ₹ 12,963.68 crore and ₹ 10,242.37 crore, as at March 31, 2011 and 2010, 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 ₹ 13,660.91 crore and ₹ 10,179.81 crore as at March 31, 2011 and 2010, respectively. These amounts represent capital expenditure on the new as well as ongoing transmission projects. 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 ₹ 12 crore in equity shares of PTC India Limited; ₹ 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; ₹ 23.40 crore in Torrent Power Grid Limited; ₹ 65.00 crore in Jaypee Powergrid Limited; ₹ 21.49 crore in Parbati Koldam Transmission Company Limited; ₹ 20.33 crore in Teestavalley Power Transmission Limited; ₹ 30.15 crore in North East Transmission Company Ltd.; ₹ 0.62 crore in Energy Efficiency Services Ltd.; ₹ 2.63 crore in National High Power Test Laboratory Private Ltd; ₹ 30.64 crore in Power System Operation Corporation Ltd., a subsidiary of our Company. Our total investments were ₹ 1365.05 crore and ₹ 1453.22 crore as at March 31, 2011 and 2010, respectively.

### Loans and Advances

Your company's total loans and advances as at March 31, 2011 and 2010, respectively, were ₹ 2793.98 crore and ₹ 3302.40 crore. Loan and Advances includes ₹ 49.04 crore (including interest of ₹ 0.34 crore charged on estimated base) advanced to POSOCO for day to day operations pending realization of dues by POSOCO. Loans and advances include advances under the One Time Settlement amounting to ₹ 84.84 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 decrease in loans and advances from Fiscal 2010 to Fiscal 2011 was principally due to transfer of RLDCs/NLDC to POSOCO resulting in decrease in amount recoverable from the Constituents on account of UI charges.

### Other Current Assets

Our other current assets as at March 31, 2011 and 2010 respectively, were ₹ 499.49 crore and ₹ 487.52 crore. Other current assets mainly include interest accrued on investments under the One Time Settlement and interest accrued on term deposits. Other current assets increased by 2.46% in Fiscal 2011 as compared to Fiscal 2010 due to increase in interest accrued on term/ fixed deposit.

## Inventories

Inventories are valued at lower of the cost, determined on weighted average basis, and net realizable value. The costs of inventories were ₹ 381.51 crore, as at March 31, 2011. 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 2011 as compared with Fiscal 2010, on account of your 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, 2011 and 2010 were ₹ 3162.09 crore and ₹ 2214.86 crore, respectively. Sundry debtors increased by 42.77% in Fiscal 2011 as compared to Fiscal 2010. The increase from Fiscal 2010 to Fiscal 2011 was mainly due to revenue recognition for existing projects as per new tariff norms notified CERC for the Block 2009-14, whereas billing was done as per tariff notified under 2004 of norms (refer note no. 14 of schedule 28: Notes on Accounts); and also 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 2010.

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 2010-11	Actual 2010-11
Gross Sales (₹ crore)	7890	8389
Gross Margin (₹ crore)	6880	7764
Net Profit/Net worth (%)*	9.43%	12.53%
Gross Margin/Gross Block	13.20%	15.42%
Gross Profit/Capital Employed (%)	10.98%	14.74%
PBDIT/Total employment (₹ in lakhs)	66.15	79.43
Inventory/Gross Block (%)	1.00%	0.76%
Added value/Gross Sales (%)	36.43%	47.55%

\* For MoU, grant in aid is included in Net worth

## 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 GoI.

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, 2011:

(₹ in Crore)

Description	2011-12	2012-13	2013-14	2014-15	BEYOND 2014-15	TOTAL
<b>Rupee Loans</b>						
Bonds	1241.99	1540.11	1924.70	2430.87	19390.43	26528.10
Other Domestic Loans	182.31	177.31	118.18	103.37	101.96	683.13
<b>Foreign Currency Loans</b>						
US\$	527.86	598.37	754.43	858.27	8703.61	11442.54
EUR	24.09	25.05	26.04	7.78	81.45	164.41
SEK	18.99	18.99	18.99	18.99	37.99	113.95
CHF	136.33	136.33	68.16	-	-	340.82
JPY	9.99	9.99	9.99	9.99	119.86	159.82
<b>TOTAL :</b>	<b>2141.56</b>	<b>2506.15</b>	<b>2920.49</b>	<b>3429.27</b>	<b>28435.30</b>	<b>39432.77</b>

## Secured Loans

Your company's secured loans as at March 31, 2011 and 2010 were ₹ 36,325.07 crore and ₹ 31,345.78 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 immoveable properties of the Company. The following table presents the secured debt as at 31st March, 2011:

Description	Amount (₹ in crore)	% of total secured debt
Bonds denominated in Rupees	26528.10	73.03
Other Loans and Advances From Banks and Financial Institutions: Denominated in Foreign Currency*	9128.85	25.13



Description	Amount (₹ in crore)	% of total secured debt
Denominated in Rupees	668.12	1.84
<b>Total</b>	<b>36325.07</b>	<b>100.00</b>

\*Loans guaranteed by the Government were ₹11481.10crore.

### Unsecured Loans

Our unsecured loans as at March 31, 2011 and 2010 were ₹ 4557.70 crore and ₹ 3071.01 crore, respectively. 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, 2011:

Description	Amount (₹ in crore)	% of total unsecured debt
Bonds denominated in Rupees	-	-
Other Loans and Advances From Banks and Financial Institutions:		
Denominated in Foreign Currency*	3092.70	67.86
Denominated in Rupees	1465	32.14
<b>Total</b>	<b>4557.70</b>	<b>100.00</b>

\*Loans guaranteed by the Government were ₹ 2637.92crore.

### Advance Against Depreciation (AAD)

Advance against depreciation is a component of tariff that we were permitted to charge under CERC regulations for the Block 2004-09, to cover shortfall in respect of depreciation in a year on assets, for repayment of debts. This AAD was restricted considering a 10-year loan repayment schedule. AAD was accounted for as an advance until the tenure of the loan. Subsequent to repayment of the loan, AAD was transferred to income on a pro-rata basis for the remaining useful life of the asset, the useful life of the asset governed by CERC regulations. AAD has been done away with in the tariff block 2009-2014 and depreciation rate have been reworked. Due to change in these tariff norms and the depreciation rates w.e.f. 01.04.2010, the outstanding AAD has been taken to transmission income after 12 years from the date of commercial operation. (Refer Schedule 3 & accounting policy no.13.1.4.2.)

### Current Liabilities

Your company's current liabilities as at 31st March, 2011 were ₹ 7113.81 crore. The current liabilities include sundry creditors, advances from customers, security deposits, retention money withheld by us and other liabilities.

Current liabilities were 6.82% lower at March 31, 2011 compared to March 31, 2010. The decrease is mainly due to liabilities to some of the beneficiaries on account of UI dues which have been accounted for in earlier year have now been transferred to POSOCO, subsidiary of POWERGRID. Sundry Creditors during the year increased by about 28.75% due to increase in liabilities for Capital expenditure, Retention money and advances for Consultancy Contracts. 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.

### Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as at March 31, 2011 and 2010:

(₹ in Crore)

Contingent Liabilities Description	As at 31st March, 2011	As at 31st March, 2010
Claims against the Company not acknowledged as debt in respect of:		
Arbitration / Court Cases	2245.45	1828.09
Land / Crop/Tree Compensation cases	917.03	503.42
Service Tax	-	1099.62
Others	52.92	167.69
Disputed Tax Demands-Income Tax	5.97	4.36
Disputed Tax Demands-Service Tax	-	66.48
Disputed Tax Demands-Others	96.60	123.84
Continuity Bonds with Custom Authorities	1183.82	969.92
Others-Service Tax	-	1656.93
Others	53.29	47.34
<b>Total</b>	<b>4555.08</b>	<b>6467.69</b>

Contingent liabilities decreased by 29.57% in Fiscal 2011 compared to Fiscal 2010. The decrease was mainly due to cessation of contingent liability on Service Tax by Deptt of Revenue, Ministry of Finance vide Notification No. 45/2011-Service Tax dt. 20.07.2010

## BUSINESS AND FINANCIAL REVIEW OF JOINT VENTURE COMPANIES and SUBSIDIARY:

### A) Powerlinks Transmission Limited (POWERLINKS)

#### Main Objective and Capital Structure

POWERGRID and TATA POWER are the Joint Venture Partners in this Joint Venture Company and hold 49% and 51% equity, respectively. This was POWERGRID's first public - private partnership in Power Transmission. The Company was incorporated to undertake the implementation of Transmission Lines associated with Tala HEP, East-North interconnector and Northern Region Transmission System from Siliguri in West Bengal via Bihar to Uttar Pradesh. The project is under commercial operation since 1st September, 2006. As on 31.03.2011, POWERLINKS has Authorized share capital of ₹4,83,60,00,000/- and paid-up capital of ₹4,68,00,00,000/- out of which POWERGRID holds Shares of ₹229.32crore and TATA POWER hold shares of ₹238.68crore. POWERLINKS successfully commissioned the project in August, 2006. POWERLINKS has given a dividend of 21 % for Fiscal 2011.

#### Financial Highlights of the Company:

Particulars	Fiscal 2011		Fiscal 2010	
			(₹ in crore)	
POWERGRID's investment in Equity	229.32		229.32	
Gross Income	306.75		313.97	
Profit after Tax	105.68		108.09	
Earning per Share*	2.26		2.31	

\*Face value per Share is ₹10/- each.

### B) JAYPEE POWERGRID Limited (JPL)

#### 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 31.03.2011, JPL has Authorized share capital of ₹ 300 crore and paid-up capital of ₹ 250 crore divided into 25,00,00,000 equity shares of ₹10 each, POWERGRID equity being ₹ 65.00 crore. Jaiprakash Power Ventures Limited and POWERGRID individually hold 74% and 26%, respectively as on 31.03.2011. The Company has got the Transmission Licence in October, 2007. Since the project is under implementation, there is no operating profit.

### C) Torrent Powergrid Limited (TPL)

#### Main Objective and Capital Structure

The main objective of the Company was to establish transmission system associated with 1100MW Gas Based project (Sugen) Generation Station of Torrent Power Ltd. (TPL) 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, POWERGRID equity being ₹ 23.40 crore. As on 31.03.2011, TPL has Authorized share capital of ₹125 crore and paid-up capital of ₹ 90 crore. The Company got the Transmission License in May 2007. The final phase of the project has been completed in March, 2011.

#### Financial Highlights of the Company:

Particulars	Fiscal 2011		Fiscal 2010	
			(₹ in crore)	
POWERGRID's investment in Equity	23.40		23.40	
Gross Income	23.07		2.98	
Profit after Tax	3.75		0.98	
Earning per Share*	0.42		0.16	

\*Face value per Share is ₹10/- each.

### D) 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 31.03.2011, PKTL has Authorized share capital of ₹ 331 crore and paid-up capital of ₹ 82.63 crores. The Company has got the Transmission License in September, 2008. During the year 2010-11, Loan Agreements for the project were signed with PFC & REC. As the project is under implementation, there is no operating profit.

- E) Teestavalley Power Transmission Limited (TPTL)**  
POWERGRID entered into a Joint Venture Agreement with Teesta Urja Limited on 23rd November, 2007 on 26% equity -POWERGRID and 74% equity Teesta Urja Limited (TUL) for implementation of transmission lines of Teesta-III to Kishanganj sub-station (Karandighi) 400kV D/C line associated with 1200 MW Teesta-III Hydro Electric Power Project. As on 31.03.2011, TPTL has Authorized share capital of ₹ 120 crore and paid-up capital of ₹ 78.21 crores. The Company has got the Transmission Licence in Fiscal 2009. As the project is under implementation, there is no operating profit.
- F) North East Transmission Company Limited (NETC)**  
POWERGRID entered into a Joint Venture Agreement in February, 2009 with ONGC Tripura Power Project Company Ltd. (OTPC), Government of Tripura, Manipur, Mizoram, Assam Electricity Grid Corporation Ltd. and Meghalaya for establishment of Transmission Line of 400kV D/C Palatana Bongaigoan Transmission Project associated with 726 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 Company has got the Transmission Licence in Fiscal 2009. As on 31.03.2011, NETC has Authorized capital of ₹ 600 crore and paid-up share capital of ₹ 120.97 crore. Construction work of the project is under progress. Upto 31.03.2011 ₹793.52 crore has been incurred towards capital expenditure. Since the project is under implementation, there is no operating profit.
- G) National High Power Test Laboratory Private Limited (NHPTLPL)**  
POWERGRID entered into a Joint Venture Agreement in April, 2009 with equal participation with NTPC Ltd., NHPC Ltd. and Damodar Valley Corporation for setting up an On-line High Power Test Laboratory for short circuit test facility in the country. The Joint Venture Company is named 'National High Power Test Laboratory Private Limited'. As on 31.03.2011, the company has Authorized share capital of ₹ 30 crore and paid-up capital of ₹ 10.50 crore. Since the project is under implementation, there is no operating profit.
- H) Energy Efficiency Services Limited (EESL)**  
POWERGRID entered into a Joint Venture Agreement in November, 2009 with equal participation with NTPC Ltd., Power Finance Corporation Ltd. and Rural Electrification Corporation Ltd. The JV Company will promote measures of Energy efficiency, Energy Conservation and Climate Change. The Joint Venture Company is named 'Energy Efficiency Services Limited'. As on 31.03.2011, the Company has Authorized Share Capital of ₹ 190 crore and paid up capital of ₹ 2.5 crore.
- I) Power System Operation Corporation Limited (POSOCO)**  
Power System Operation Corporation Ltd (POSOCO) was incorporated as a wholly owned subsidiary of POWERGRID on 20.03.2009. POSOCO, is responsible for Independent System Operation. The Certificate of Commencement of Business of the Company has been obtained on 23rd March, 2010. The agreements for transfer of movable assets and liabilities to POSOCO were executed on 16.03.2011, and POWERGRID has transferred movable assets and liabilities to POSOCO w.e.f. 1st October, 2010. As on 31.03.2011, POSOCO has Authorized Share Capital of ₹ 200 crore and paid-up capital of ₹ 30.64 crore. The purchase consideration has been worked out as per details given below:

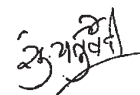
Description	₹ in Crore
Net Block	75.95
CWIP and Construction Stores & Advances	0.60
Net Current Assets	25.13
Total	101.68
Less: Grant in Aid	5.06
LDC Development Fund	25.72
Net Amount receivable	70.90

POSOCO has issued shares of ₹ 30.59 crore and taken over loan liabilities of ₹ 40.31 crore towards Purchase Consideration. Operations of POSOCO for the six months ended 31.03.2011 have resulted in turnover of ₹ 115.71 crore and Profit after Tax of ₹ 11.21 crore.

#### 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

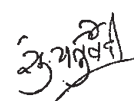
**PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF  
THE COMPANIES ACT, 1956 FOR THE YEAR 2010-11**

Sl. No	Name	Designation & Nature of duties	Qualification	Remuneration (Rs)	Experience (Years)	Date of commencement of Employment (In Powergrid)	Age (years)	Last Employment held
	Employed for part of the year							
1	U.C. Saxena	Manager	Dip.in Electrical Engg.	1324046	27	16-Aug-91	60	NTPC
2	S K Nagpal	DGM	B E (Electrical)	1672156	37	19-Nov-91	60	NHPC
3	Tirth Ram Sharma	Sr.Sup(HR)-SG - HR Admn.	Matric	1794310	39	19-Nov-91	60	NHPC
4	Mansa	Sr.Atttd.(W4) - Atttd.	NIL	1014257	33	19-Nov-91	60	NHPC
5	Rajinder Prasad	Sr.Skp.Gr.I - Store duty	Matric	2007747	39	19-Nov-91	60	NHPC
6	S K Datta	Executive Director	B.E.(Civil)	2300032	36	16-Aug-91	60	NTPC
7	V.N.R.Nair	Manager	Dip (Engg.)	1514673	27	16-Aug-91	60	NTPC
8	K.Krishna Kumar	AGM	MSc.Engg.(Elect.)	2985448	32	16-Aug-91	60	NTPC
9	R.Thyagarajan	Chief Manager	LEE, Dip (Engg.)	2477187	39	16-Aug-91	60	NTPC
10	Domnik Baby	Sr. Asst. Gr.-I	B.A.	1056979	34	19-Nov-91	60	NHPC
11	K.K.Roy	AGM	B.Sc.Engg. (Mechanical)	2735696	33	16-Aug-91	60	NTPC
12	S.Prasad	AGM	B.Sc.Engg. (Civil)	2292783	35	14-Nov-91	60	NEEPCO
13	B.S.Mehra	DGM	B.A.,LLB.,PGDIR	2970339	28	01-Jan-91	60	NTPC
14	P.Sreeramulu	GM	Bcom., CA	3220486	36	16-Aug-91	60	NTPC
15	G.S.Sarkar	GM	B.E.(Elect.)	2943739	36	16-Aug-91	60	NTPC
16	D V Sharma	Chief Manager	Dip.in Electrical Engg.	1668352	35	19-Nov-91	60	NHPC
17	R.G.Yadav	Executive Director	B.E.(Mech.), MBA(Fin.)	2566742	37	16-Aug-91	60	NTPC

## 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: 04.08.2011

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

### A. CONSERVATION OF ENERGY

#### (a) Energy conservation measures taken and on hand:

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 higher voltage levels like 765kV AC,  $\pm 500$ kV HVDC,  $\pm 800$ kV HVDC and 1200kV AC in its transmission systems for bulk 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 optimized. During evaluation of transformer & shunt reactor packages, equipment with minimum losses is given weightage. In case of HVDC system also, the selection of parameters of filter components, Thyristor Valves, Converter Transformer etc. is done in such a way that overall losses are minimized even under worst condition of system operating parameters. 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

1 & 2 It has been POWERGRID's endeavour to pursue the research and development efforts in the field of new technologies in transmission system to remain at par with international standards. 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. Completed In-house Design and optimization studies for 765kV D/C transmission line
2. Completed in-house design of 20 no. towers for transmission lines which included 6 no. towers for 765 kV D/C transmission lines.
3. Completed in-house design of approx. 400 nos. tower foundations for transmission lines upto 765kV including 50 nos of pile foundations.
4. Completed testing of 4 no. of towers for 1200 kV AC transmission lines and 2 nos. of towers for 765 kV D/C transmission lines.
5. Indigenous development of 6 conductor manufacturers for ACSR Moose Conductor
6. Implementation of High Surge Impedance Loading (HSIL) Line.
7. Design of Narrow based Multi-circuit tower was completed.
8. Upgrading of short circuit current capacity of existing equipments e.g. circuit breakers, CTs etc. from 40 kA to 50/63 kA.
9. Control switching of circuit breaker for bus reactor to reduce the switching over voltages
10. Development of multi-channel Dynamic Contact Resistance Measurement (DCRM) technique to reduce the testing time 800kV circuit breaker.



## Ongoing projects

1. For development of 1200kV UHVAC Super grid, 1200 KV UHVAC test station is being established at POWERGRID substation at Bina, MP 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,  $\pm 800$ kV, 6000 MW HVDC multi terminal system for long distance power transfer over 2000 km. from NER/ER to NR.
3. 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.
4. Development of in-house foundation and tower designs for use in on-going transmission line projects.
5. Development of 4 more additional Indigenous vendors for 400kV Composite Insulators
6. Design of Highest River crossing tower across Haldia (Height being 245 meters).
7. 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.
8. Several existing Substations in different Regions are being augmented for remote operation from nearby Substations so as to reduce the operation cost.
9. Development of GIS in association with Indian manufacturers
10. Measurement of synchro phasors for wide area monitoring and protection of National Grid
11. Indigenous Development of SF6 gas filled Current Transformer with BHEL.
12. Implementation of Controlled Switching schemes of circuit breakers for 400kV transmission lines.
13. Engineering Data Integration on GIS Platform.
14. Collection of lightning data for assessment of lightning activity using lightning detection system. Lightning sensors shall be installed in the line in North Eastern Region. Lightning detection system shall detect lightning activities as well as intensity of lightning in the transmission lines or in the vicinity of lines. The data will be used in failure analysis and selection of transmission line parameters & planning
15. Pollution mapping of Northern Region is being initiated along with CPRI to facilitate selection of appropriate type of the insulator to minimize the probability of occurrence of pollution flashover in lines
16. Development of Indigenous vendors for 765kV Transformers, Reactors, Circuit Breaker, Current Transformer and Wave Trap

## Technology Absorption :

1. For route selection, length optimisation and estimation of BOQ for transmission lines, POWERGRID has employed 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  $\pm 500$ kV HVDC technology has been implemented in our country. Now, 765kV AC D/c,  $\pm 800$ kV HVDC and 1200kV UHVAC technologies are being implemented 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. Use of metallic return in 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 at 400kV and 765kV level has been adopted in substations where space constraints exist.
10. Multi-level beams have been used in GIS and AIS substations with multi-ckt. lines to optimize line corridor areas near substation
11. On line transformer monitoring techniques for monitoring of critical parameters of power transformers.

## C. CONSERVATION OF LAND AND ENVIRONMENTAL CONCERNS

For the ground return mode of operation of HVDC Bipolar Transmission system, electrode stations are being used up to now, which require approx. 150 acre of land (75 acre for each terminal of Bipolar system) at electrode site. The land for these electrode stations have to be selected keeping in view that there are no metallic buried objects i.e. metallic oil and gas pipe line, metallic pipes, railway line, telephone lines using metallic wires, electrical operated water pump sets etc within a radius of about 8 to 10 km from the centre of the proposed site of the earth electrode station. Since the inverter Terminal is generally located near the load centres, the cost of land acquisition is very high.

Further, the electrode line of the HVDC Terminal also requires its right of way which creates the constraint in land usage. Even after taking full care in land selection for locating earth electrode station, there is still a big element of uncertainty about the proper functionality of the earth electrode station and may result into undesirable surface currents leading to unacceptably high step and touch potential around the electrode site and it has been reported in the ground return operation of a number of HVDC system all over the world.

Major future HVDC link are proposed to evacuate bulk power from Chhattisgarh area. Because of geographical location and the deep soil resistivity profile of the area, the performance of HVDC monopolar ground current operation might be a cause of concern. Selecting suitable land for electrode station in this area fulfilling the technical requirements of high Ground Return Currents in monopolar operation of HVDC shall be difficult.

For future  $\pm 800$  KV /  $\pm 600$  KV projects, the usage of third return conductor on the same tower carrying the line conductor, instead of having a ground electrode as return path has been adopted. Apart from eliminating the element of uncertainty about the proper functionality of the earth electrode station, the usage of third conductor as a return path will result in conservation of land required for conventional electrode station. It will avoid a separate electrode line and corresponding right of way related to the electrode line resulting in further land conservation.

In place of conventional AIS substations, most of the EHVAC substations are being established as GIS which have about 25% land requirement, thus resulting in land conservation.

For protecting the environment, double circuit and multi-circuit high transmission towers are being used in forest areas, which have higher power intensity over the same corridor, thus optimising right-of-way and resulting in reduced tree cutting. Also, use of D/c lines in place of two no. S/c lines even at 765kV level has been adopted to conserve right-of-way.

## FOREIGN EXCHANGE EARNINGS AND OUTGO

		₹ in Crore
<b>Foreign Exchange Earnings</b>		
(i)	Interest	0.01
(ii)	Consultancy Fee	19.37
	<b>Total</b>	<b>19.38</b>
<b>Foreign Exchange outgo</b>		
(i)	Capital goods and Spare Parts	1823.31
(ii)	Professional and Consultancy Fee	1.76
(iii)	Interest	153.19
(iv)	Others	9.36
	<b>Total</b>	<b>1987.62</b>

For and on behalf of the Board of Directors

**(S. K. Chaturvedi)**

Chairman & Managing Director

Place: New Delhi  
Date: 04.08.2011

## **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 FOR THE YEAR ENDED 31 MARCH 2011**

The preparation of financial statements of Power Grid Corporation of India Limited for the year ended 31 March 2011 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 25 May 2011.

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 for the year ended 31 March 2011. 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 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/-

(M.K. Biswas)

**Principal Director of Commercial Audit &  
Ex-officio Member Audit Board - III,  
New Delhi**

**Place: New Delhi  
Dated: 08 June 2011**

## REPORT ON CORPORATE GOVERNANCE

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

### 1. THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance is about promoting corporate fairness, transparency and accountability in the best interest of various stakeholders in a 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 set every year by the Government of India and the persons at the helm of its 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 is a "NAVRATNA PSE" since May, 2008. The NAVRATNA status has provided the Company more flexibility and autonomy in terms of making investments and operational decisions. Now, the Board of Directors of POWERGRID are the approving Authority to 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 is 15% of the networth of the Company in one project limited to ₹1000 crore. The overall ceiling on such investment in all projects put together is 30% of the net worth of the Company.

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 practised "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. Audit Committee, Committee for Award of Contracts relating to RE, APDRP and other Deposit Works, Committee on Investment on Projects, 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 compliance of the company with the conditions of the Corporate Governance and the disclosure requirements in that regard 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 69.42% 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 31<sup>st</sup> March, 2011, the Board comprised fourteen Directors out of which five were whole-time Directors including the Chairman & Managing Director, two Government nominees 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 Agreement

with Stock Exchanges, stipulates that half of the Board members of your Company should be Independent Directors. For the period 1<sup>st</sup> April, 2010 to 31<sup>st</sup> March, 2011 the requirement of independent Directors as per this clause was met.

### 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.

The tenure of Directors as on 31<sup>st</sup> March, 2011 was as follows:

Details of Directors Category (Functional/ Official/ Non-official)	Designation	Name	Date of Joining on the Board	Date of superannuation/ completion of Tenure
<b>1. Whole Time Directors</b>	Chairman & Managing Director	Shri S. K. Chaturvedi	01.08.2008	31.08.2011 - date of superannuation.
	Director (Finance)	Shri J. Sridharan	21.12.2005	Superannuated on 30.04.2011 <sup>@</sup> .
	Director (Personnel)	Shri V.M. Kaul	16.03.2009	31.03.2012 - date of superannuation
	Director (Operations)	Shri R.N. Nayak <sup>§</sup>	16.05.2009	Completion of Tenure - 15.05.2014. Date of superannuation - 30.09.2015.
	Director(Projects)	Shri I.S.Jha	01.09.2009	Completion of tenure - 31.08.2014. Date of superannuation - 30.06.2019.
<b>2. Govt. Nominees Part – time Directors</b>	JS (Trans.) Ministry of Power	Dr. M. Ravi Kanth	11.12.2009	Till the President desires
	JS &FA, Ministry of Power	Shri Rakesh Jain	9.06.2009	Till the President desires
<b>3. Non-official Part-time Directors</b>	Non-official Part-time Director (Independent)	Shri F.A. Vandrevale*	10.07.2007	09.07.2011
		Shri Anil K. Agarwal*		
		Dr. A.S. Narag*		
		Dr. P.K. Shetty*		
		Shri S.C. Tripathi	25.04.2008	24.04.2011
		Shri Ashok Khanna	04.08.2008	03.08.2011
Smt. Sarita Prasad				

\* The tenure of these Non-official Part-time Directors came to an end on 09.07.2010 and they were reappointed vide Govt. order dated 19.10.2010 w.e.f.10.07.2010 for a period of one year. The tenure of Non-official Part-time Directors so extended came to an end on 09.07.2011.

§ Shri R. N. Nayak presently, Director (Operations) shall be taking over charge as Chairman and Managing Director w.e.f. 1<sup>st</sup> September, 2011, in terms of Govt. Order dt. 22<sup>nd</sup> July 2011.

@ Shri R.T. Agarwal assumed the charge of Director (Finance) w.e.f. 29<sup>th</sup> July 2011 in terms of Govt. Order dt. 29<sup>th</sup> July, 2011.

### 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 is also invited to the Board meetings to provide additional input to the items being discussed by the Board.

During the financial year ended 31<sup>st</sup> March, 2011 sixteen Board meetings were held on 15th April, 25th May, 2nd July, 6th August, 10th September, two meetings on 20th October, 22nd October, 7th November, 13th November, 23rd November and 13th December, of the year 2010, and 7th January, 8th February, 8th March and 15th March, of the year 2011. The maximum interval between any two meetings during this period was 39 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'/Investors' Grievance Committee as per Clause 49 I (C) – Explanation – 2) held by them during the year 2010-11 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 24.09.10)	No. of other Director ship held on 31.03.11	No. of Other Committee Membership held on 31.03.11	
					Chairman	Member
<b>Whole Time Directors</b>						
Shri S. K. Chaturvedi Chairman & Managing Director	16	16	Yes	8	NIL	NIL
Shri J. Sridharan, Director (Finance)	16	15	Yes	2	NIL	1
Shri V. M. Kaul, Director (Personnel)	16	16	Yes	2	NIL	2
Shri R. N. Nayak, Director (Operations)	16	16	Yes	2	NIL	NIL
Shri I. S. Jha, Director (Projects)	16	16	Yes	2	NIL	NIL
<b>Non-executive Directors (Government Nominees)</b>						
Dr. M. Ravi Kanth Jt. Secy., Ministry of Power	16	14	Yes	NIL	NIL	NIL
Shri Rakesh Jain Jt. Secy., Ministry of Power	16	15	Yes	4	2	3
<b>Independent Directors</b>						
Dr. P. K. Shetty	14	14	N.A.	NIL	NIL	NIL
Dr. A. S. Narag	14	14	N.A.	NIL	NIL	1
Shri Anil K. Agarwal	14	6	N.A.	3	1	1
Shri F. A. Vandrevala	14	8	N.A.	1	NIL	NIL
Shri S. C. Tripathi	16	15	Yes	7	1	6
Dr. Ashok Khanna	16	14	Yes	7	NIL	2
Smt. Sarita Prasad	16	15	No	NIL	NIL	2

Board meetings held on 6th Aug., and 10th Sept, 2010 have not been accounted for tenure of Dr. P. K. Shetty, Dr. A. S. Narag, Shri F. A. Vandrevala and Shri Anil K. Agarwal, Directors who were appointed as Director vide MOP Order dt. 19.10.2010 with retrospective effect from 10.07.10.

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, includes:**

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 including minutes of Subsidiary Company.
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.

#### **Post meeting follow-up system:**

The Governance process in the Company include an effective post-meeting follow-up, review and reporting process for action taken / pending on decisions of the Board and the Board Committee(s).

### **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/Rematerialisation/Dematerialization, etc. of Shares
- iv) Committee for Award of Contracts relating to RE, APDRP and other Deposit Works
- v) Committee on Investment on Projects
- vi) Committee for Bonds
- vii) Committee on Award of Contracts
- viii) Remuneration Committee.

#### **3.1 Audit Committee:**

As on 31<sup>st</sup> March, 2011, the Audit Committee comprised the following Directors:

- (i) Shri S. C. Tripathi, Non-official Part-time Director – Member & Chairman
- (ii) Dr. Ashok Khanna, Non-official Part-time Director – Member
- (iii) Mrs. Sarita Prasad, Non-official Part-time Director – Member
- (iv) Shri Rakesh Jain, JS&FA, MOP – Member

On completion of tenure of Shri S.C Tripathi and Dr. Ashok khanna, Independent Directors, the Audit Committee was reconstituted as under:

- (i) Shri Rakesh Jain, JS&FA, MOP – Member & Chairman
- (ii) Dr. M. Ravi Kanth, Jt. Secy., MOP – Member
- (iii) Mrs. Sarita Prasad, Non-official Part-time Director – Member

Further, on completion of tenure of Mrs. Sarita Prasad, Non-official Part-time Director on 03.08.2011, the Audit Committee comprises following directors:

- (i) Shri Rakesh Jain, JS&FA, MOP - Member & Chairman
- (ii) Dr. M. Ravi Kanth, Jt. Secy., MOP – Member
- (iii) Shri V. M. Kaul, Director (Personnel) – 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, 2010, the Companies Act, 1956 and the 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 for the Audit Committee meetings is 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 powers of the Audit Committee include the following:

1. To investigate any activity within its terms of reference.
2. To seek information on and 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 protect whistle blowers.
6. 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 our 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 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 Director's 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, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
7. 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.
8. Discussion with internal auditors and / or auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors/auditors/agencies 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.
10. 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.
11. 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.
12. To review the functioning of the Whistle Blower Mechanism.
13. To review the follow up action on the audit observations of the Comptroller & Auditor General audit.
14. To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.
15. Provide an open avenue of communication between the independent auditor, internal auditor and the Board.
16. Review all related party transactions in our Company. For this purpose, the Audit Committee may designate a member who shall be responsible for reviewing related party transactions.  
Explanation: The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, issued by the Institute of Chartered Accountants of India.
17. Review with the independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.
18. Consider and review the following with the independent auditor and the management:
  - a. The adequacy of internal controls including computerized information system controls and security; and
  - b. Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.
19. Consider and review the following with the management, internal auditor and the independent auditor:
  - a. Significant findings during the year, including the status of previous audit recommendations; and
  - b. Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.  
In line with the provisions of Articles of Association of POWERGRID, the whole-time Functional Directors of the Company including Director (Finance) referred to as CFO are appointed by the Administrative Ministry through Public Enterprise Selection Board.



### Review of information by Audit Committee

The Audit Committee shall mandatorily review 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.
5. The appointment, removal and terms of remuneration of the chief internal auditor.
6. Certification/declaration of financial statements by the Chief Executive Officer/Chief Finance Officer.

#### Composition of Audit Committee during the FY. 2010-11:

The composition of Audit Committee during the financial year 2010-11 was as under:

- i) From April, 2010 to June, 2010 the following directors were members on the Audit Committee:

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

Note: On completion of tenure / of Shri F. A. Vandrevale, Shri Anil K. Agarwal and Dr. A. S. Narag on 09.07.2010, the Audit Committee was reconstituted in July 2010.

- ii) From July, 2010 the following directors were members on the Audit Committee:

Shri S. C. Tripathi, Director	Member & Chairman	Non-official Part-time Director
Dr. Ashok Khanna, Director	Member	Non-official Part-time Director
Shri Rakesh Jain, JS&FA, MOP	Member	Non-Executive Director
Smt. Sarita Prasad, Director	Member	Non-official Part-time Director

#### Attendance:

During the financial year ended 31<sup>st</sup> March, 2011, six meetings of the Audit committee were held on 15th April, 25th May, 6th August, 10th September and 20th October of the year 2010, and 8th February, 2011.

Attendance at Audit Committee Meetings during the Financial Year 2010-11:

Name	Audit Committee Meeting held during the tenure	
	Held	Attended
Shri F. A. Vandrevale, Director	2	2
Shri Anil K. Agarwal, Director	2	2
Shri Rakesh Jain, JS&FA, MOP	6	6
Dr. A.S. Narag, Director	2	2
Shri S. C. Tripathi, Director	4	4
Dr. Ashok Khanna, Director	4	4
Smt. Sarita Prasad, Director	4	3

### 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 31<sup>st</sup> March, 2011 the Committee comprised the following Directors:

- Shri Anil K. Agarwal, Non-official Part-time Director – Chairman
- Dr. A. S. Narag, Non-official Part-time Director – Member
- Dr. M. Ravi Kanth, Jt. Secy., MOP – Member
- Shri J. Sridharan, Director (Finance) – Member
- Smt. Sarita Prasad, Non-official Part-time Director- Member.

On completion of tenure of Independent Directors, the Shareholders'/ Investors' Grievance Committee has been reconstituted in August, 2011. At present, the Shareholders'/ Investors' Grievance Committee comprises the following Directors:

- Shri V. M. Kaul, Director (Personnel) – Chairman
- Dr. M. Ravi Kanth, Jt. Secy., MOP – Member
- Shri I. S. Jha, Director (Projects) – Member

The Company Secretary is the Secretary of the Committee.

Two meetings of the Shareholders'/Investors' Grievance Committee were held during the financial year 2010-11 on 31<sup>st</sup> January, 2011 and 31<sup>st</sup> March, 2011, respectively.

**Attendance at Shareholders'/Investors' Grievance Committee meeting during the Financial Year 2010-11:**

Name	Shareholders'/Investors' Grievance Committee Meeting held during the tenure	
	Held	Attended
Shri Anil K. Agarwal, Director	2	1
Shri J. Sridharan, Director (Finance)	2	2
Dr. A.S. Narag, Director	2	2
Dr. M. Ravi Kanth, Jt. Secy., MOP	2	NIL
Smt. Sarita Prasad, Director	2	2

**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 31<sup>st</sup> March, 2011, 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:

S.No.	Description	Opening Balance	Received	Attended	Pending
1	Non receipt of refund orders	0	11325	11325	0
2	Non receipt of dividend warrants	0	98	98	0
3	SEBI	0	1617	1613	4
4	Stock Exchange	0	181	181	0
5	Advocate Notices	0	29	25	4
6	Consumer Forum/Court cases	0	1	1	0
	Total	0	13251	13243	8

Investor complaints pending as on March 31, 2011 have been subsequently attended.

**Shares lying in Share Escrow Account**

In pursuance of Clause 5A(g) of the Listing Agreement, it is disclosed that :

- In respect of your Company's IPO, the aggregate number of shareholders as on 01.04.2010 were 228 and the outstanding shares in the suspense account lying as on 31.03.2011 were 44260 shares.
- In respect of FPO, the aggregate number of shareholders as on 01.04.2011 were 67 and the outstanding shares in the suspense account lying as on 31.03.2011 were 14207 shares.
- 42 shareholders had approached the Company for transfer of 8413 shares from suspense account during the year 2010-11 in respect of IPO and we have transferred 6378 shares related to 32 shareholders during the year.
- 83 shareholders had approached the Company for transfer of 18979 shares from suspense account during the year 2010-11 in respect of FPO and we have transferred 14568 shares related to 65 shareholders during the year.

The voting rights on the shares in demat suspense account shall remain frozen till the rightful owner of such shares claims the shares. These shares are lying in the demat form in a Pool Account with the Registrars i.e. M/s Karvy Computershare Pvt. Ltd. and the benefits accrued on them are being properly accounted for.

**3.3 Committee for Transfer/Split/Rematerialization/Dematerialization of Shares**

The Company has constituted a Committee of Directors for Transfer/ Split/ Rematerialisation/ Dematerialization etc. and other related issues. As on 31.03.2011, the Committee comprised the following Directors as members:

- Director (Finance)
- Director (Projects) and
- Director (Personnel)

As on March 31, 2011 shares transfer request of 219 Nos. of equity shares was pending. Share Transfers effected during the year have been 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 ₹ 30 Cr. and up to ₹ 100 Cr. As on March 31, 2011 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

### 3.5 Committee on Investment on Projects

The Board has constituted this Committee of Directors to consider and examine the Investment proposals before seeking investment sanction from the Board. As on March 31, 2011, the Committee comprised the following members:

- i) Director (Operations) – Chairman
- ii) Director (Finance) – Member
- iii) Director (Projects) – Member
- iv) Shri Anil K. Agarwal – Member
- v) Shri F. A. Vandrevala – Member
- vi) Shri Rakesh Jain – Member
- vii) Dr. M. Ravi Kanth – Member

On completion of tenure of Shri Anil K. Agarwal and Shri F. A. Vandrevala Independent Directors on 09.07.2011, the Committee on Investment on Projects presently comprises the following Directors:

- i) Director (Operations) – Chairman
- ii) Director (Finance) – Member
- iii) Director (Projects) – Member
- iv) Shri Rakesh Jain – Member
- v) Dr. M. Ravi Kanth – Member

### 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, 2011, the Committee for Bonds comprised the following members:

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

### 3.7 Committee on Award of Contracts

This Committee of Directors has been constituted for approval of award of contracts of value more than ₹ 30 Cr. but not exceeding ₹ 100 Cr. As on March 31, 2011, the following Directors were members of the Committee:

- i) Shri S.K.Chaturvedi, CMD – Chairman
- ii) Shri R.N. Nayak, Director (Operations) – Member
- iii) Shri I.S.Jha, Director (Projects) – Member
- iv) Shri J. Sridharan, Director (Finance) – Member
- v) Shri Ashok Khanna, Non-official Part-time Director – Member
- vi) Dr. M. Ravi Kanth, Joint Secretary, MOP – Member

On completion of tenure of Shri Ashok Khanna, Non-official Part-time Director on 24.04.2011, the Committee on Award of Contracts was reconstituted as under:

- i) Shri S.K.Chaturvedi, CMD – Chairman
- ii) Shri R.N. Nayak, Director (Operations) – Member
- iii) Shri I.S.Jha, Director (Projects) – Member
- iv) Dr. M. Ravi Kanth, Joint Secretary, MOP – Member
- v) Dr A. S. Narag, Non-official Part-time Director - Member

Further, on completion of tenure of Dr. A. S. Narag, Non-official Part-time Director on 09.07.2011, the Committee on Award of Contract comprises following directors:

- i) Shri S.K.Chaturvedi, CMD – Chairman
- ii) Shri R.N. Nayak, Director (Operations) – Member
- iii) Shri I.S.Jha, Director (Projects) – Member
- iv) Dr. M. Ravi Kanth, Joint Secretary, MOP – Member

## 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 2010-11 was as per terms and conditions of their appointment. Independent Directors are paid only sitting fees per Board / Committee meeting attended {rate fixed by the Board within the ceiling fixed under the Rule 10B of the Companies (Central Government's) General Rules and Forms, 1956 read with the Section 310 of 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 2010-11 is as under:

S No.	Directors	Designation	Salary (in ₹)	Benefits (in ₹)	Bonus / Commission (in ₹)	Performance Linked Incentive (in ₹)	Total (in ₹)
1.	Shri S.K. Chaturvedi	Chairman & Managing -Director	13,94,013	8,64,840	-	14,46,232	37,05,085
2.	Shri J. Sridharan	Director (Finance)	13,72,972	8,29,206	-	16,11,127	38,13,305
3.	Shri V. M. Kaul	Director (Personnel)	12,87,148	14,18,667	-	9,01,397	36,07,212
4.	Shri R. N. Nayak	Director (Operations)	12,77,853	7,66,282	-	8,65,445	29,09,580
5.	Shri I. S. Jha	Director (Projects)	12,65,707	16,07,906	-	8,50,484	37,24,097

The Government nominee Directors on the POWERGRID's Board do not draw any remuneration/ sitting fee for attending Board/ Committee meetings from the Company. The Independent Directors were paid sitting fee of ₹ 20,000/- for attending each Board/ Committee Meetings.

Details of Payment made towards sitting fee to Independent Directors during the year 2010-11 are given below:

(₹ in lacs.)

Name of Non-official Part-time Directors	Sitting Fees		Total (₹)\$
	Board Meeting (₹)	Committee of Board of Directors Meeting (₹)	
Dr. P. K. Shetty	2.80	0.40	3.20
Dr. A. S. Narag	2.80	1.60	4.40
Shri Anil K. Agarwal	1.20	1.20	2.40
Shri F. A. Vandrevala	1.60	0.80	2.40
Shri S.C. Tripathi*	3.00	1.20	4.20
Shri Ashok Khanna	2.80	3.80	6.60
Smt. Sarita Prasad*	3.00	1.40	4.40

\$Gross Amount before TDS

\*In addition, honorarium of ₹ 20,000 each was paid to Smt. Sarita Prasad and Shri S. C. Tripathi for R&D Advisory Committee Meeting.

As on 31.03.2011 the Directors' Shareholding was as under:

S.No.	Name of Directors	No. of Equity Shares Held	
		As a Nominee of the President of India	Individual Capacity
1	Shri S. K. Chaturvedi	-	-
2	Shri J. Sridharan	-	5000
3	Shri V. M. Kaul	-	7213
4	Shri R. N. Nayak	-	11721
5	Shri I. S. Jha	-	2998
6	Shri Rakesh Jain	-	-
7	Dr. M. Ravi Kanth	-	-
8	Dr. P. K. Shetty	-	216
9	Dr. A. S. Narag	-	3136
10	Shri Anil K. Agarwal	-	-
11	Shri F. A. Vandrevala	-	-
12	Shri S. C. Tripathi	-	-
13	Shri Ashok Khanna	-	-
14	Ms. 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
2007-08	18th September, 2008	10.00 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110 010	NIL
2008-09	9th September, 2009	10.00 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110 010	NIL
2009-10	24th September, 2010	10.00 a.m.	Air Force Auditorium, Subroto Park, New Delhi-110 010	NIL

#### Resolutions passed through Postal Ballot

1. Ordinary Resolution to increase the borrowing power/limit of the company from ₹ 50,000 crore to ₹ 80,000 crore was passed. Notice dated 25th March, 2010, 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 said resolution was approved by the shareholders on 17th May during the financial year 2010-11. Ms. Savitajyoti, Practicing Company Secretary, was appointed as scrutinizer for conduct of Postal Ballot. The details of the voting are as under:

Sl. No.	Description	No. of Shareholders	No. of Shares	No. of Votes	Result
Resolution: Enhancement of Borrowing Limits from ₹50,000 Crore to ₹80,000 Crore.					
1.	Votes in favour	18286	3675482103	3675482103	Approved by requisite majority.
2.	Votes against	884	7587744	7587744	
3.	Invalid Votes	152	214045	214045	

2. Ordinary Resolution to transfer of movable assets of RLDCs and NLDC to Power System Operation Corporation was passed. Notice dated 19<sup>th</sup> April, 2010, 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 said resolution was approved by the shareholders on 16<sup>th</sup> June, 2010. Ms. Savitajyoti, Practicing Company Secretary, was appointed as scrutinizer for conduct of Postal Ballot. The details of the voting are as under:

Sl. No.	Description	No. of Shareholders	No. of Shares	No. of Votes	Result
Resolution: Transfer of movable assets of Regional Load Despatch Centers (RLDCs) and National Load Despatch Center (NLDC) to Power System Operation Corporation Limited (Book value of ₹ 184.78 Crore as on 31.03.2009)					
1.	Votes in favour	15359	3678876791	3678876791	Approved by requisite majority.
2.	Votes against	723	210485	210485	
3.	Invalid Votes	138	39694	39694	

3. Special Resolution was passed for issuance of shares under Follow on Public Offer (FPO) by POWERGRID for 84,17,68,246 equity shares of face value of ₹ 10 each constituting 20% of existing paid up capital comprising-
  - a) Fresh issue of 420,884,123 equity shares (10% of existing paid up capital); and
  - b) Offer for sale (Disinvestment) of 420,884,123 equity shares (10% of existing paid up capital by Selling Shareholder i.e. President of India).

Notice dated 27th August, 2010, 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 said resolution was approved by the shareholders on 8th October, 2010. Ms. Savita Jyoti, Practicing Company Secretary was appointed as scrutinizer for conduct of Postal Ballot. The details of the voting are as under:

S.No.	Description	No. of Shareholders	No. of Shares	No. of Votes	Result
1	Votes in favour	7,703	3677172427	36771724270	Carried with requisite majority.
2	Votes against	250	417492	4174920	
3	Invalid Votes	433	102142	1021420	

#### 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 & ED (Finance)\* of the Company have certified to the Board, the specified matters, as required under Clause 49 V of the Listing Agreement.

\* Shri R. T. Agarwal, ED (Finance) has taken the charge of Director (Finance) w.e.f. 29.07.2011.

- (iii) POWERGRID do not have any material non listed Indian Subsidiary Company.
- (iv) POWERGRID has developed Enterprise Risk Management Framework and Internal Control Framework for CEO/CFO Certification. General Manager (Corporate Planning) has been appointed as Chief Risk Officer of the Company.
- (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 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 2010-11 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 given at Annexure-I to the Corporate Governance Report.

## 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](http://www.powergridindia.com) including the following:

Quarterly /Half-Yearly /Annual Financial Results

Shareholding Pattern

Corporate disclosures made from time to time to Stock Exchanges

### Quarterly Results

Newspapers	Date of Publication of Financial Results for the Quarter ended			
	30.06.2010	30.09.2010	31.12.2010	31.03.2011
Economic Times/TOI/Hindustan Times/Mint/Financial Express (English)	07.08.2010	20.10.2010	09.02.2011	25.05.2011
Hindustan/Business Bhaskar/Dainik Jagran (Hindi)	08.08.2010	21.10.2010	10.02.2011	26.05.2011

These Results are also displayed at Company's website [www.powergridindia.com](http://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. The said code has been renamed and amended in pursuance of Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010. Now, the name of the Code is 'Code of Business Conduct and Ethics for Board members' and 'Code of Business and Ethics for Senior Management Personnel'. 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 31<sup>st</sup>, 2011.

Sd/-

New Delhi

Date: 04.05.2011

(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. Company Secretary has been designated as Compliance Officer for this Code.

## 9. Shareholders' Information

### i) Annual General Meeting

Date : 19th September, 2011

Time : 11.00 a.m.

Venue : NDMC Talkatora Indoor Stadium, Talkatora Garden, Park Street, New Delhi – 110 001.

### ii) Financial Year

The Company's Financial Year is from 1<sup>st</sup> April to 31<sup>st</sup> March.

### iii) Book Closure

The Register of Member and Share Transfer Books of the Company will remain closed from 8th September, 2011 to 19th September, 2011 (both days inclusive).

### iv) Payment of dividend

The Board of Directors of the Company have recommended payment of a final Dividend of 12.50% (₹ 1.25 per share) for the financial year ended 31<sup>st</sup> March, 2011 in addition, an Interim Dividend of 5% (₹ 0.50 per share) was paid on 24th February, 2011. (Dividend paid in the Previous Year was ₹ 631.34 Crore).

### v) Dividend History

Year	Total Paid-up Capital as on 31st March of the Year (₹ in Crore)	Total Amount of Dividend Paid for the Financial Year (₹ in Crore)	Date of AGM in which dividend was declared	Date of Payment of Final Dividend
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	505.08	09.09.2009	29.09.2009
2009-10	4208.84	631.34	24.09.2010	19.10.2010
2010-11	4629.73	231.51*	08.02.2011**	24.02.2011#

\* Amount of Interim Dividend

\*\* Date of Board Meeting

# Date of Payment of Interim Dividend

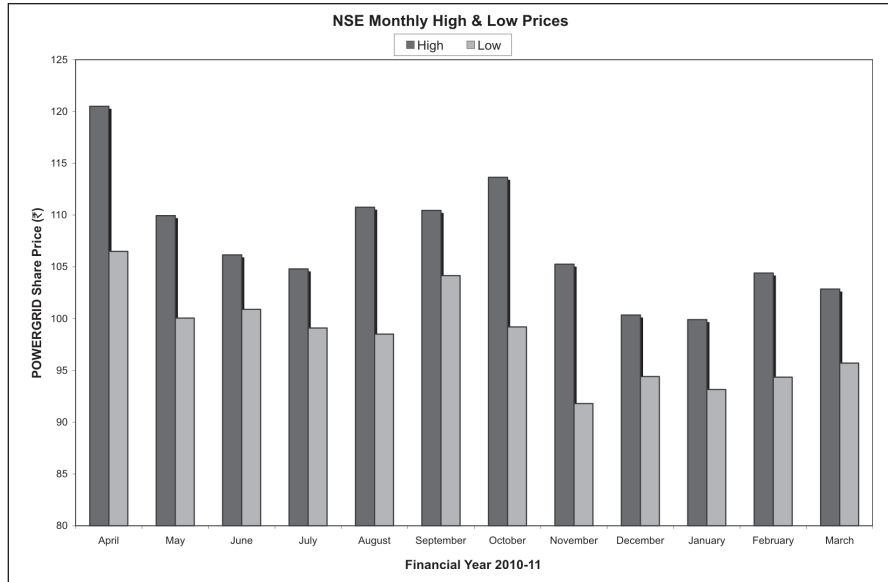
### vi) Listing on Stock Exchange

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	

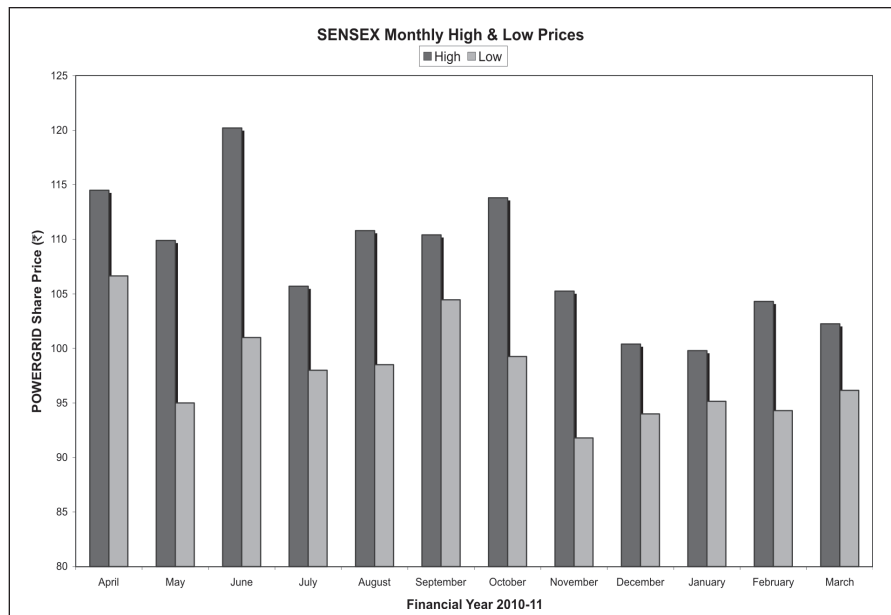
### vii) Market Price Data - NSE

	High (₹)	Low (₹)
April, 2010	120.5	106.5
May, 2010	109.95	100.05
June, 2010	106.15	100.9
July, 2010	104.8	99.1
August, 2010	110.75	98.5
September, 2010	110.45	104.15
October, 2010	113.65	99.2
November, 2010	105.25	91.8
December, 2010	100.35	94.4
January, 2011	99.9	93.15
February, 2011	104.4	94.35
March, 2011	102.85	95.7



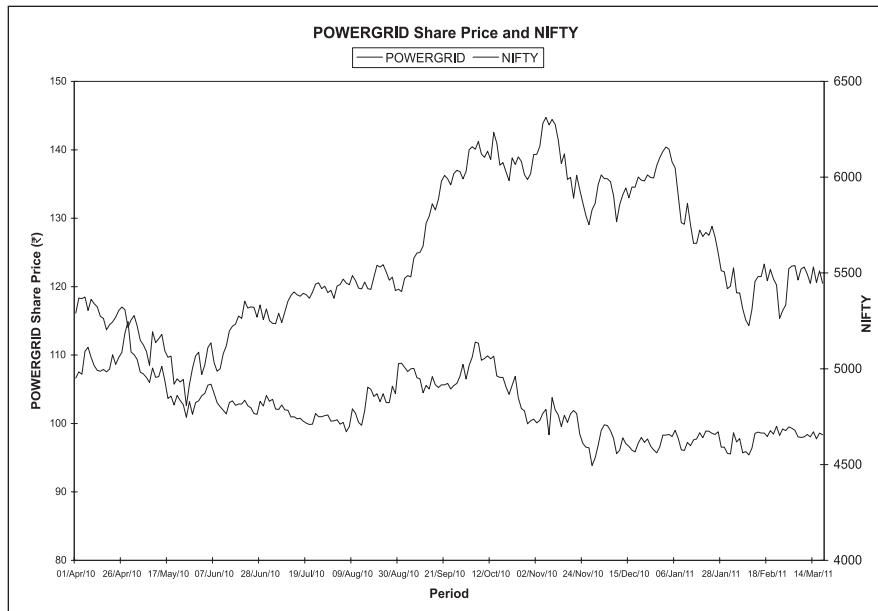
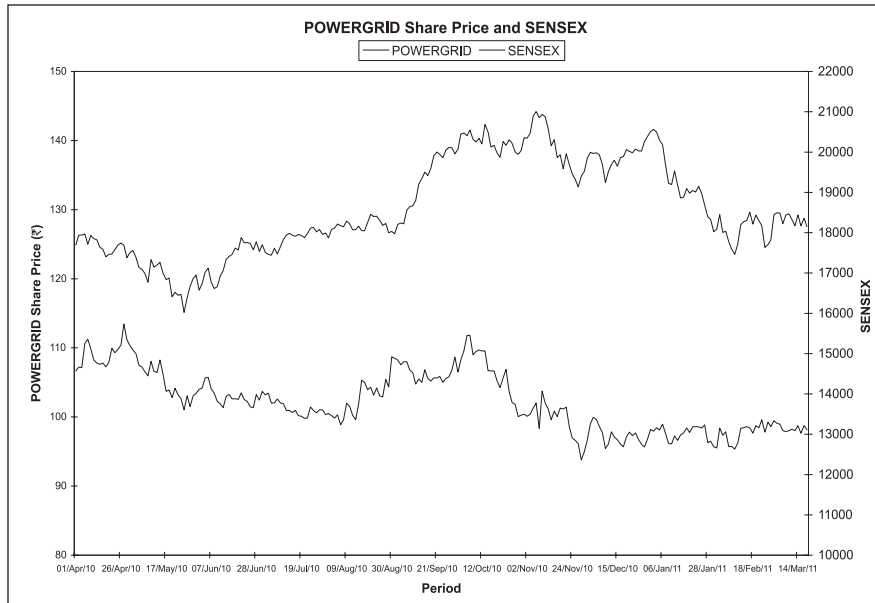
**viii) Market Price Data - BSE**

	High (₹)	Low (₹)
April, 2010	114.5	106.65
May, 2010	109.9	95
June, 2010	120.2	101
July, 2010	105.7	98
August, 2010	110.8	98.5
September, 2010	110.4	104.45
October, 2010	113.8	99.25
November, 2010	105.25	91.8
December, 2010	100.4	94
January, 2011	99.8	95.15
February, 2011	104.3	94.3
March, 2011	102.25	96.15





## 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 Exchange, certificate on half-yearly basis confirming due compliance of shares transfer formalities by the Company from Practicing Company Secretary have been submitted to Stock Exchanges within stipulated time.

### xii) Share Transfer System

Shares held by different categories of shareholders and according to the size of the holdings as on 31<sup>st</sup> March, 2011 are given below:

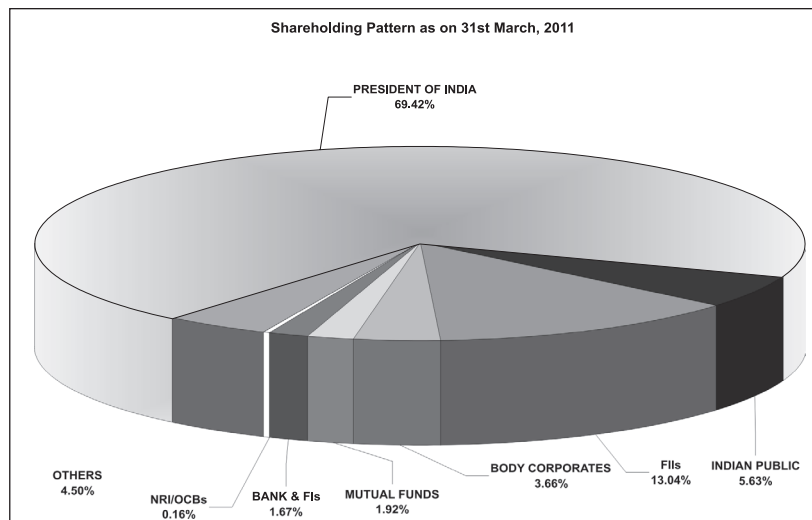
#### According to Size

##### a. Distribution of shareholding according to size, % of holding as on 31st March, 2011:

Category	Cases	% of Cases	Amount	% Amount
upto 1 - 5000	1080214	93.06	1812251740.00	3.91
5001 - 10000	59578	5.13	405715300.00	0.88
10001 - 20000	12217	1.05	175008770.00	0.38
20001 - 30000	3058	0.26	76365200.00	0.16
30001 - 40000	1352	0.12	48091580.00	0.10
40001 - 50000	1017	0.09	47145840.00	0.10
50001 - 100000	1622	0.14	116173910.00	0.25
100001 & ABOVE	1671	0.15	43616501190.00	94.22
Total:	1160729	100.00	46297253530.00	100.00

##### b. Shareholding pattern as on 31st March, 2011

S.No	Category	Total Shares	% To Equity
1	PRESIDENT OF INDIA	3214024212	69.42
2	PROMOTERS	0	0.00
3	INDIAN PUBLIC	260407532	5.63
4	FIs	603909711	13.04
5	BODIES CORPORATE	169655580	3.66
6	MUTUAL FUNDS	89002240	1.92
7	BANKS & FI	77520695	1.67
8	NRI/OCBs	7237835	0.16
9	Others	207967548	4.50
	Total	4629725353	100.00



**c. Major Shareholders**

Details of Shareholders holding more than 1% of the paid-up capital of the Company as on 31<sup>st</sup> March, 2011 are given below:

Sno	Name of the shareholder	Shares	% Equity	Category
1	PRESIDENT OF INDIA	3112754412	67.23	POI
2	EUROPACIFIC GROWTH FUND	122444336	2.64	FII
3	PRESIDENT OF INDIA	101269800	2.19	POI
4	LIFE INSURANCE CORPORATION OF INDIA	85728622	1.85	INS
5	ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD	69108536	1.49	LTD
6	AMERICAN FUNDS INSURANCE SERIES INTERNATIONAL FUND	49976640	1.08	FII
7	LIC OF INDIA - MARKET PLUS	48942430	1.06	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 Exchange 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	8710	42060	0.00
2	Held in dematerialized form in NSDL	810818	4549647366	98.27
3	Held in dematerialized form in CDSL	341201	80035927	1.73
	Total	1160729	4629725353	100.00

The name and addresses of the Depositories are as under:

- National Securities Depository Limited  
Trade World, 4th Floor,  
Kamala Mills Compound, Senapathi Bapat Marg,  
Lower Parel, Mumbai – 400 013.
- Central Depository Services (India) Limited  
Phiroze Jeejeebhoy Towers,  
17th 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**

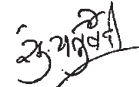
POWERGRID has no plants as it is in the business of Transmission of Power.

**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)	0124-2571901-02	0124-2571903
E-mail ID	vmkaul@powergridindia.com	
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: 04.08.2011

## Non-Mandatory Requirements

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 constituted Remuneration Committee for deciding the performance related pay in terms of the DPE directive. The performance related pay of POWERGRID employees and full time Directors has been decided by the Remuneration Committee during the Financial Year 2010-11.
3. **Shareholder Rights:** The financial results for the half year ended 30th September, 2010 were published in Economics Times and Times of India dated 20th October, 2010 and also put up on website. Separate half year report has, however, not been sent to each household of shareholders. Significant events have been disclosed on the Company website: [www.powergridindia.com](http://www.powergridindia.com).
4. **Audit qualifications:** The financial statement for the year 2010-11 has no audit qualifications.
5. **Training of Board Members:** A presentation on various issues were given to the Directors, including:  
Sustainability Reporting in POWERGRID;  
Long Term Open Access;  
Telecom Business;  
Other notifications issued by the CERC from time to time, etc.
6. **Whistle Blower Policy:** The Company has separate Vigilance Department which deals with fraud or suspected fraud involving employees/representatives of suppliers, contractors, consultants, service provider or any other party doing business with POWERGRID. Whistle Blower Policy has been approved by the Board of Directors and implemented in July, 2011.

ANNEXURE-VI TO THE DIRECTORS' REPORT

## Certificate on Corporate Governance

To  
The Members,  
Power Grid Corporation of India Limited

I have examined the compliance of conditions of corporate governance by Power Grid Corporation of India Limited, for the year ended on 31<sup>st</sup> March, 2011 as stipulated in the Clause 49 of the Listing Agreement in respect of Equity Shares of the said Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. My 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 statement of the Company.

In my opinion and to the best of my information and according to the explanation given to us, I certify that except the composition of the Board of Directors, particularly with regard to the original appointment and cessation of office of directors liable to retire by rotation, by the President of India instead of by the general meeting as indicated in paragraph 2.3 of Report on Corporate Governance, the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

I 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.

Date: 02.08.2011

  
(T.V. NARAYNASWAMY)  
COMPANY SECRETARY

## Secretarial Audit Report

### The Board of Directors Power Grid Corporation of India Limited New Delhi

We have examined the registers, records and documents of Power Grid Corporation of India Limited (hereinafter referred to as "the Company") for the financial year ended on March 31, 2011 according to the provisions of-

- The Companies Act, 1956 ("the Act") and the Rules made thereunder;
- The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')
  - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 1997;
  - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
  - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - The Equity Listing Agreements with Bombay Stock Exchange Limited and National Stock Exchange of India Limited.
  - The regulations as contained in Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000 (FEMA Regulations).

1. Based on our examination and verification of the registers, records and documents produced before us and according to the information and explanations given to us by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company during the audit period covering the financial year ended on 2010-2011 has complied with the provisions of the Act and the Rules made thereunder and the Memorandum and Articles of Association of the Company, with regard to:

- i. maintenance of various statutory registers and documents and making necessary entries therein;
- ii. closure of the Register of Members;
- iii. forms, returns, documents and resolutions required to be filed with the Registrar of Companies, NCT of Delhi & Haryana, Stock Exchanges and the Central Government;
- iv. service of documents by the Company on its Members, Bond holders, Bond Trustees;
- v. notice of the Board meetings and Committee meetings of Directors;
- vi. the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
- vii. the 21st Annual General Meeting held on September 24, 2010;

- viii. minutes of proceedings of General Meetings (including Postal Ballot under Section 192A of the Act thereof) and of Board and its Committees;
  - ix. approvals of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;
  - x. constitution of the Board of Directors / Committee(s) of Directors and appointment, retirement of Directors;
  - xi. payment of remuneration to the Directors including the Managing Director and Whole-time Directors;
  - xii. appointment and remuneration of Auditors and Cost Auditors;
  - xiii. transfers and transmission of the Company's shares, issue and allotment of shares under follow on public offer (FPO) and bonds and issue and delivery of original and duplicate certificates of shares and bonds;
  - xiv. payment of interest on bonds and redemption of bonds;
  - xv. declaration and payment of dividend;
  - xvi. borrowings and registration of charges;
  - xvii. investment of the Company's funds including loans and investments;
  - xviii. form of balance sheet as prescribed under Part I of Schedule VI to the Act and requirements as to Profit & Loss Account as per Part II of the said Schedule;
  - xix. contracts, common seal, registered office and publication of name of the Company;
2. We further report that:
- i. The Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities;
  - ii. The Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel.
  - iii. The Company has obtained all necessary approvals under the various provisions of the Act, wherever applicable;
  - iv. During the period of Audit, there was no prosecution initiated against or show cause notice received by the Company, its Directors and Offices under the provisions of the Act, SEBI Act, FEMA Regulations and Listing Agreement(s).



3. We further report that :

- i. The Company has complied with the requirements under the Equity Listing Agreements entered into with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.
- ii. The Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
- iii. The Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations.
- iv. The Company has complied with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 including the provisions for issue and allotment of securities (i.e. equity shares under fast track method) as required under the Regulations.
- v. The Company has complied with the provisions of Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000.

**For SANJAY GROVER & ASSOCIATES  
COMPANY SECRETARIES**

Sd/-

**SANJAY GROVER**

FCS No.4223

C.P No.3850

Date : June 17, 2011

Place : New Delhi

## REVENUE EXPENDITURE ON SOCIAL OVERHEADS

(₹ in crore)

	For the year ended 31st March,2011	For the year ended 31st March,2010
<b>Township</b>		
a) Depreciation	17.14	14.00
b) Repair & Maintenance	9.67	8.88
c) Others	8.82	7.13
	35.63	30.01
<b>Educational &amp; School Facilities</b>	22.68	19.15
<b>Medical Facilities</b>	63.51	41.22
<b>Subsidised Transport</b>	1.98	1.89
<b>Social &amp; Cultural Activities</b>	16.01	11.18
<b>Corporate Social Responsibility (CSR) activities</b>	15.58	4.29
<b>Total</b>	<b>155.39</b>	<b>107.74</b>
Less: Recoveries	4.64	3.39
<b>Net</b>	<b>150.75</b>	<b>104.35</b>

## ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared on accrual basis of accounting under the historical cost convention and in accordance with generally accepted accounting principles and applicable Accounting Standards in India.

### 2. RESERVES AND SURPLUS

- 2.1 Self insurance reserve is created @ 0.1% p.a. on Gross Block of Fixed Assets (except valve halls of HVDC Bi-pole, HVDC equipments, SVC substations 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'.
- 2.2 LDC Development fund shall be created in respect of charges collected on account of return on equity, interest on loan, depreciation and other income of the Regional Load Despatch Centre and National Load Despatch Centre such as registration fee, application fee, short-term open access charges etc. The fund shall be utilized for loan repayment, servicing the capital raised in the form of interest and dividend payment, meeting stipulated equity portion in asset creation and margin money for raising loan from the financial institutions and funding R&D projects.
- 2.3 In accordance with the scheme of earmarking 1% of net profits of the preceding financial year towards Corporate Social Responsibility (CSR), unutilized money during an year shall be credited to CSR reserves. Any expenditure above 1% of the preceding year shall be adjusted against such reserve.

### 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 capitalization 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 capitalization, 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 Insurance spares, other than mentioned in 4.9 below, which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalized and depreciated over the residual useful life of the related plant & machinery.
- 4.8 Mandatory spares, other than mentioned in 4.9 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 capitalized and depreciation is charged in accordance with the relevant accounting standard.
- 4.9 Items of Insurance / Mandatory spares, covered under 4.7 & 4.8 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 related expenses incurred for the projects are shown as CWIP till capitalization.
- 5.2 Expenditure of Corporate office, Regional Offices and Projects, attributable to construction of fixed assets are identified and allocated on a systematic basis to the cost of the related assets.
- 5.3 Interest during construction and expenditure (net) allocated to construction as per policy No. 5.2 above (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 capitalized. Balance, if any, left after such capitalization is kept as a separate item under the CWIP Schedule .



- 5.4 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors or technical assessment of work completed.
- 5.5 Unsettled liability for price variation/ exchange rate variation in case of contracts are accounted for on estimated basis as per terms of the contracts.
- 6. INTANGIBLE ASSETS**
- 6.1 The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognized as an intangible assets in the books of accounts when the same is ready for use.
- 6.2 Afforestation charges paid for acquiring right-of-way of laying transmission lines are accounted for as intangible assets and same are amortized over the useful life of related assets.
- 7. CONSTRUCTION STORES**
- 7.1 Construction stores are valued at cost.
- 8. BORROWING COST**
- 8.1 All the borrowed funds ( except short term funds for working capital) 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. TRANSACTIONS 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 transaction 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 1<sup>st</sup> April, 2004 or Date of Commercial Operation (DOCO) which ever is later.
- The above FERV to the extent recoverable or payable as per CERC norms is accounted for as follows:
- 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.
  - 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'
  - 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'
  - 'Deferred income/expenditure from foreign currency fluctuation a/c' is amortized in the proportion in which depreciation is charged on such FERV.
  - 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 1<sup>st</sup> 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:
- Such FERV is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Profit & loss account'.
  - Depreciation component of transmission charges (being 90% of such FERV) is adjusted against Deferred foreign currency fluctuation asset/liability a/c'.
  - Balance 10% is adjusted against the transmission charges over the tenure of respective loan.
- 9.5 FERV in respect of current assets is taken to Profit & Loss a/c.

## **10. INVESTMENTS**

- 10.1 Current investments are valued at lower of cost and fair value determined on an individual investment basis.
- 10.2 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.
- 12.2 Expenditure, except the cost of equipment capitalized, incurred for activating the last mile connectivity of major telecom links are amortized over the period of agreement with the customer.

## **13. REVENUE RECOGNITION**

- 13.1.1 Transmission Income is accounted for based on tariff orders notified by CERC. In case of transmission projects where tariff orders 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 in respect of additional capital expenditure after the date of commercial operation is accounted based on actual expenditure incurred on year to year basis.
- 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**

- 13.1.4.1 Advance against depreciation (AAD), forming part of tariff pertaining upto the block period 2004-09, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.
- 13.1.4.2 The outstanding deferred income in respect of AAD is recognized as transmission income, after 12 years from the end of the financial year in which the asset was commissioned, to the extent of difference between charge of depreciation and recovery of depreciation as tariff component.
- 13.1.5 Surcharge recoverable from debtors and liquidated damages / warranty claims / interest on advances to suppliers are recognized when no significant uncertainty as to measurability and collectability exists.
- 13.1.6 Telecom income is accounted for on the basis of terms of agreements/ purchase orders from the customers.
- 13.1.7 Income from sole consultancy contracts are accounted for on technical assessment of progress of services rendered.
- 13.1.8 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
- 13.1.9 Application Fees received on account of LTOA Charges is accounted for as and when received in accordance with CERC Guidelines.
- 13.2.1 Scrap other than steel scrap & conductor scrap are accounted for as and when sold.
- 13.2.2 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.

**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 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 other than assets transferred to Power System Operation Corporation Limited are depreciated @ 6.67% per annum as determined by CERC for levelized tariff.

15.1.3 Depreciation on assets transferred to Power System Operation Corporation Limited is provided on straight line method at the rates specified in the norms notified by CERC for the purpose of recovery of RLDC Fee and Charges.

15.1.4 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.

15.1.5 Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.

15.1.6 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, except for telecom assets where residual life is determined on the basis of rates of depreciation as specified in Schedule XIV of the Companies Act, 1956.

15.1.7 Plant and machinery, loose tools and items of scientific appliances, included under different heads of assets, costing ₹5000/- or less, or where the written down value is ₹5000/- or less as at the beginning of the year, are charged off to revenue.

15.1.8 Assets costing upto ₹5,000/- are fully depreciated in the year of acquisition.

15.2.1 Leasehold Land, other than acquired on perpetual lease, is depreciated over the tenure of the lease or 25 years whichever is lower in accordance with the rates and methodology specified in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009.

15.2.2 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 ₹1,00,000/- 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 Capital expenditure on assets not owned by the company is charged off to revenue as and when incurred.

**17. IMPAIRMENT OF ASSETS**

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

**18. EMPLOYEE BENEFITS**

18.1 The liability for retirement benefits of employees in respect of Gratuity, which is ascertained annually on actuarial valuation at the year end, is provided and funded separately.

18.2 The liabilities for compensated absence (both for Earned & Half Pay Leave), leave encashment, 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**

A provision is recognized 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 recognized 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.



## Balance Sheet As At 31st March, 2011

(₹ in crore)

	Schedule No.		As at 31st March, 2011	As at 31st March, 2010
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Fund</b>				
Share Capital	01		4629.73	4208.84
Reserves and Surplus	02		<u>16737.27</u>	<u>11733.06</u>
			<b>21367.00</b>	<b>15941.90</b>
<b>Deferred Revenue</b>				
Advance Against Depreciation (AAD)	03		2176.07	2213.63
Grants in Aid	04		<u>171.31</u>	<u>198.82</u>
			<b>2347.38</b>	<b>2412.45</b>
<b>Loan Funds</b>				
Secured Loans	05A		36325.07	31345.78
Unsecured Loans	05B		<u>4557.70</u>	<u>3071.01</u>
			<b>40882.77</b>	<b>34416.79</b>
<b>Deferred Tax liability(Net)</b>				
Less: Recoverable			<u>5135.98</u>	<u>4686.53</u>
			<u>3989.24</u>	<u>3983.02</u>
			<b>1146.74</b>	<b>703.51</b>
<b>TOTAL</b>			<b><u>65743.89</u></b>	<b><u>53474.65</u></b>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	06		50351.78	43202.28
Less: Depreciation			<u>13127.80</u>	<u>11141.02</u>
Net Block			<u>37223.98</u>	<u>32061.26</u>
Capital Work-in-Progress	07		12963.68	10242.37
Construction Stores and Advances	08		<u>13660.91</u>	<u>10179.81</u>
			<b>63848.57</b>	<b>52483.44</b>
<b>Investments</b>				
	09		<b>1365.05</b>	<b>1453.22</b>
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	10	381.51		344.90
Sundry Debtors	11	3162.09		2214.86
Cash and Bank Balances	12	3680.06		3277.64
Other Current Assets	13	499.49		487.52
Loans and Advances	14	<u>2793.98</u>		<u>3302.40</u>
			10517.13	9627.32
<b>Less: Current Liabilities &amp; Provisions</b>				
Current Liabilities	15	7113.81		7634.60
Provisions	16	<u>2875.46</u>		<u>2458.29</u>
			<u>9989.27</u>	<u>10092.89</u>
<b>Net Current Assets</b>			<b>527.86</b>	<b>-465.57</b>
<b>Miscellaneous Expenditure (to the extent not written off or adjusted)</b>	17		<b>2.41</b>	<b>3.56</b>
<b>TOTAL</b>			<b><u>65743.89</u></b>	<b><u>53474.65</u></b>
Contingent Liabilities	18		4555.08	6467.69
Notes on accounts	28			

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

For and on behalf of the Board

(Divya Tandon)  
Company Secretary

(R.T.Agarwal)  
Executive Director (Finance)

(V.M. Kaul)  
Director (Personnel)

(S. K. Chaturvedi)  
Chairman & Managing Director

As per our report of even date

**For A.R. & Co.**  
Chartered Accountants  
Firm Regn No.002744C  
**(Prabuddha Gupta)**  
Partner  
Membership No.400189

**For S R I Associates**  
Chartered Accountants  
Firm Regn No.305109E  
**(I. Pasha)**  
Partner  
Membership No.013280

**For Umamaheswara Rao & Co.**  
Chartered Accountants  
Firm Regn No. 004453S  
**(A. Siva Prasad)**  
Partner  
Membership No.213675

Place : New Delhi.  
Dated : 24<sup>th</sup> May, 2011.

## Profit and Loss Account for the year ended 31st March, 2011

(₹ in crore)

	Schedule No.	For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>INCOME</b>			
Revenue from Operations	19	8388.70	7127.45
Provisions written back	20	40.22	0.21
Other Income	21	670.88	375.92
<b>TOTAL</b>		<b>9099.80</b>	<b>7503.58</b>
<b>EXPENDITURE</b>			
Employees' Remuneration & Benefits	22	745.89	726.70
Transmission Administration and Other Expenses	23	585.65	507.43
Depreciation	06	2199.39	1979.69
Provisions	24	3.98	22.15
Interest and Finance Charges	25	1733.93	1543.24
Deferred Revenue Expenditure written Off		1.86	1.78
<b>TOTAL</b>		<b>5270.70</b>	<b>4780.99</b>
<b>Profit for the year before tax and Prior period Adjustments</b>		<b>3829.10</b>	<b>2722.59</b>
Less: Prior Period Expenditure/(Income) (Net)	26	4.37	96.27
<b>Profit Before Tax</b>		<b>3824.73</b>	<b>2626.32</b>
Less: Provision for Taxation			
-Current Year		680.02	430.34
-Earlier Years		4.59	-8.43
		<b>684.61</b>	<b>421.91</b>
Fringe Benefit Tax			
-Current Year		-	-
-Earlier Years		-	-1.50
			<b>-1.50</b>
<b>Profit after Current Tax</b>		<b>3140.12</b>	<b>2205.91</b>
Less: Provision for Deferred Tax- Total Deferred tax Liability		449.45	225.02
Less: Recoverable from beneficiaries for arrears of earlier years		6.22	60.05
		<b>443.23</b>	<b>164.97</b>
<b>Profit after Tax</b>		<b>2696.89</b>	<b>2040.94</b>
Add: Balance of Profit brought forward		24.33	46.92
Add: Bond Redemption Reserve Written Back		255.81	166.19
Add: Withdrawal from STOA Reserve		141.25	81.97
Total Amount Available for Appropriation		<b>3118.28</b>	<b>2336.02</b>
<b>Appropriation</b>			
Interim Dividend Paid		231.51	210.46
Corporate Dividend Tax Paid		38.45	35.77
Proposed Final Dividend		578.72	420.88
Provision for Corporate Dividend Tax		93.88	69.90
Transfer to Self Insurance Reserve		42.53	37.75
Transfer to Bonds Redemption Reserve		780.77	630.13
Transfer to STOA Reserve		141.25	81.97
Transfer to LDC development Reserve		15.16	16.44
Transfer to CSR Activities Reserve		4.83	8.39
Transfer to General Reserve		1150.00	800.00
<b>Balance of Profit carried over to Balance Sheet</b>		<b>41.18</b>	<b>24.33</b>
		<b>3118.28</b>	<b>2336.02</b>
<b>Earning per Share-Basic &amp; Diluted [In ₹ per share]</b>		<b>6.19</b>	<b>4.85</b>
Face value of ₹10/- each			
<b>Incidental Expenditure During Construction</b>	27		
<b>Notes on Accounts</b>	28		
Schedules 1 to 28 and Accounting Policies form an integral part of Accounts			

### For and on behalf of the Board

(Divya Tandon)  
Company Secretary

(R.T.Agarwal)  
Executive Director (Finance)

(V.M.Kaul)  
Director (Personnel)

(S. K. Chaturvedi)  
Chairman & Managing Director

### As per our report of even date

**For A.R. & Co.**  
Chartered Accountants  
Firm Regn No.002744C

**(Prabuddha Gupta)**  
Partner  
Membership No.400189

**For S R I Associates**  
Chartered Accountants  
Firm Regn No.305109E

**(I. Pasha)**  
Partner  
Membership No.013280

**For Umamaheswara Rao & Co.**  
Chartered Accountants  
Firm Regn No. 004453S

**(A. Siva Prasad)**  
Partner  
Membership No.213675

Place : New Delhi.  
Dated : 24<sup>th</sup> May, 2011.

## Schedule 01 - Share Capital

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>AUTHORISED</b>		
10,00,00,00,000 (Previous year 10,00,00,00,000) equity shares of ₹10/- each	<b>10000.00</b>	10000.00
<b>ISSUED SUBSCRIBED AND PAID-UP</b>		
4,62,97,25,353 (Previous Year 4,20,88,41,230 ) equity shares of ₹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.	<b>4629.73</b>	4208.84
<b>TOTAL</b>	<b>4629.73</b>	<b>4208.84</b>

## Schedule 02 - Reserves and Surplus

Description	(₹ in crore)			
	As at 1st April, 2010	Additions During the year	Deductions/Adjustments During the year	As at 31st March, 2011
Share Premium	1583.14	3300.29	8.28	4875.15
<b>Self Insurance Reserve</b>				
Through Appropriation of Profit	165.00	42.53	-	207.53
Through Charge to Profit & Loss account	68.41	-	2.21	66.20
STOA Reserve	-	141.25	141.25	-
LDC development Fund	16.44	23.48	39.92	-
CSR Activities Reserve	8.39	4.83	-	13.22
Bonds Redemption Reserve	2043.08	780.77	255.81	2568.04
General Reserve	7824.27	1150.00	8.32	8965.95
	<b>11708.73</b>	<b>5443.15</b>	<b>455.79</b>	<b>16696.09</b>
Balance in Profit & Loss Account	24.33			41.18
<b>TOTAL</b>	<b>11733.06</b>			<b>16737.27</b>

## Schedule 03 - Advance Against Depreciation (Deferred Revenue)

Description	(₹ in crore)			
	As at 1st April, 2010	Additions During the Year	Reversals/ Adjustments during the year	As at 31st March, 2011
Advance Against Depreciation	2213.63	0.96	38.52	2176.07
<b>TOTAL</b>	<b>2213.63</b>	<b>0.96</b>	<b>38.52</b>	<b>2176.07</b>
Previous Year	2159.59	62.97	8.93	2213.63

## Schedule 04 - Grants in Aid (Deferred Revenue)

Description	(₹ in crore)			
	As at 1st April, 2010	Additions During the year	Deductions/ Adjustments During the year	As at 31st March,2011
Grants in aid	198.82		27.51*	171.31
	<b>198.82</b>		<b>27.51</b>	<b>171.31</b>
Previous Year	225.35		26.53	198.82

\* Includes ₹5.06 Crore transferred to POSOCO and ₹2.19 crore in Schedule 26



## Schedule 05A- Secured loans

(₹ in crore)

Description	As at 31st March, 2011	As at 31st March, 2010
<b>LOANS THROUGH BONDS</b>		
<b>BONDS VI SERIES</b>		
13% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹1000/-each redeemable at par in 10(ten) equal annual installments w.e.f 6th December, 2002. Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Gandhar Stage-I Transmission System.	10.00	20.00
<b>BONDS VIII SERIES</b>		
10.35% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹1000/-each redeemable at par in 10(Ten) equal annual instalments w.e.f. 27th April, 2005. Secured by floating charge over the Fixed Assets of the Corporation.	8.00	10.00
<b>BONDS IX SERIES</b>		
12.25% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹1,00,000/- each redeemable at par in 10(Ten) equal annual instalments 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.	115.30	172.95
<b>BONDS X SERIES</b>		
10.90% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹12 lakh each redeemable at par in 12 (twelve) equal annual instalments 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.	317.30	380.76
<b>BONDS XI SERIES</b>		
9.80% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹3 crore each consisting of 12 STRPPs of ₹25 lakh each, redeemable at par in 12 (twelve) equal annual instalments 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.	271.50	316.75
<b>BONDS XII SERIES</b>		
9.70% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹1.5 crore each consisting of 12 STRPPs of ₹12.50 lakh each, redeemable at par in 12 (twelve) equal annual instalments 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.	92.25	107.62



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## Schedule 05A- Secured loans (contd...)

(₹ in crore)

Description	As at 31st March, 2011	As at 31st March, 2010
<b>BONDS XIII SERIES</b>		
8.63% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹1.5 crore each consisting of 12 STRPPs of ₹12.50 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 31.07.2006.	472.50	540.00
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 mortgage & hypothecation on assets of Kishenpur Moga & Dulhasti Contingency Transmission System.		
<b>BONDS XIV SERIES</b>		
6.10% Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of ₹1.5 crore each consisting of 12 STRPP's of ₹12.50 Lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 17.07.2004.	291.25	349.50
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.		
<b>BONDS XV SERIES</b>		
6.68% Taxable, Secured, Non-Cumulative, Non-convertible Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 23.02.2008.	600.00	675.00
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.		
<b>BONDS XVI SERIES</b>		
7.10% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.00 crore each consisting of 10 STRPP's of ₹10.00 lakh each redeemable at par in 10 (Ten) equal annual installments w.e.f. 18.02.2009.	525.00	600.00
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.		
<b>BONDS XVII SERIES</b>		
7.39% Taxable, Secured, Redeemable, Non-convertible, Non-cumulative Bonds of ₹1.00 Crore each consisting of 10 STRPP's of ₹10.00 lakh each redeemable at par in 10(ten) equal annual installments w.e.f 22.09.2009.	800.00	900.00
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.		
<b>BONDS XVIII SERIES</b>		
8.15% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12 (twelve) equal annual installments w.e.f 09.03.2010.	832.50	915.75



**Schedule 05A- Secured loans (contd...)**

(₹ in crore)

Description	As at 31st March, 2011	As at 31st March, 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.		
<b>BONDS XIX SERIES</b>		
9.25% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 24.07.2010.	453.75	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.		
<b>BONDS XX SERIES</b>		
8.93% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 07.09.2010.	1375.00	1500.00
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.		
<b>BONDS XXI SERIES</b>		
8.73% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12 (Twelve) equal annual installments w.e.f. 11.10.2010.	467.50	510.00
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.		
<b>BONDS XXII SERIES</b>		
8.68% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 07.12.2010.	632.50	690.00
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.		
<b>BONDS XXIII SERIES</b>		
9.25% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 09.02.2011.	281.87	307.50
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 05A- Secured loans (contd...)

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>BONDS XXIV SERIES</b>		
9.95% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 26.03.2011.	732.88	799.50
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.		
<b>BONDS XXV SERIES</b>		
10.10% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 12.06.2011.	1065.00	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.		
<b>BONDS XXVI SERIES</b>		
9.30% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 07.03.2012.	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.		
<b>BONDS XXVII SERIES</b>		
9.47% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 31.03.2012.	705.00	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.		
<b>BONDS XXVIII SERIES</b>		
9.33% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 15.12.2012	2400.00	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.		
<b>BONDS XXIX SERIES</b>		
9.20% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 12.03.2013.	1297.50	1297.50

**Schedule 05A- Secured loans (contd...)**

(₹ in crore)

Description	As at 31st March, 2011	As at 31st March, 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.		
<b>BONDS XXX SERIES</b>		
8.80% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 29.09.2013.	2332.50	2332.50
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.		
<b>BONDS XXXI SERIES</b>		
8.90% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 25.02.2014.	2047.50	2047.50
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.		
<b>BONDS XXXII SERIES</b>		
8.84% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 29.03.2014.	1035.00	1035.00
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.		
<b>BONDS XXXIII SERIES</b>		
8.64% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 08.07.2014.	2880.00	-
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.		
<b>BONDS XXXIV SERIES</b>		
8.84% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 21.10.2014.	3487.50	-
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.		
	<b>26528.10</b>	<b>21171.83</b>

## Schedule 05A- Secured loans (contd...)

(₹ in crore)

Description	As at 31st March, 2011	As at 31st March, 2010
<b>Term Loans from Banks/ Financial Institutions</b>		
Secured by a floating charge on the fixed assets of the Company		
Indian Overseas Bank	20.00	30.00
Corporation Bank	25.00	35.00
Punjab National Bank-Loan-I	40.00	60.00
Punjab National Bank-Loan-II	125.00	150.00
Oriental Bank of Commerce	104.17	125.00
Life Insurance Corporation of India-II	300.88	365.78
Life Insurance Corporation of India-III	<u>23.07</u>	<u>29.66</u>
	638.12	795.44
<b>ICICI Bank Ltd.</b>		
Secured by first pari passu charge over the assets of the Company	30.00	45.00
<b>Bank of India, Cayman Islands</b>		
Secured by a Floating charge on the immovable properties of the company	285.66	312.48
<b>Loan from Asian Development Bank , Philippines</b> (Guaranteed by Govt. of India)		
<b>ADB-I</b>	418.44	504.78
Secured by pari passu interest in the liens created on the assets as security for the debts.		
<b>ADB-II</b>	925.69	987.16
Secured by pari passu interest in the liens created on the assets as security for the debts.		
<b>ADB-III</b>	1630.02	1591.40
Secured by pari passu interest in the liens created on the assets as security for the debts.		
	<u>2974.15</u>	<u>3083.34</u>
<b>Loan from International Bank for Reconstruction and Development, USA</b> (Guaranteed by Govt. of India)		
<b>PSDP I</b>	292.97	372.31
Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyaachal and Rihand Transmission system.		
<b>PSDP-II</b>	1577.59	1696.96
Secured by pari passu interest in the liens created on the assets as security for the debts.		
<b>PSDP-III</b>	1792.02	1759.58
Secured by pari passu interest in the liens created on the assets as security for the debts.		
<b>PSDP-IV</b>	2206.46	2108.84
Secured by pari passu interest in the liens created on the assets as security for the debts.		
	<u>5869.04</u>	<u>5937.69</u>
<b>Total Secured Loans</b>	<b>9796.97</b>	<b>10173.95</b>
Due for repayment/redemption within one year	<b>1940.93</b>	<b>1593.19</b>

## Schedule 05B- Unsecured Loans

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>Loans in Indian Currency</b>		
<b>Short Term Loans from Banks</b>		
Bank of Baroda	500.00	950.00
HDFC Bank Ltd.	400.00	300.00
Union Bank of India	<u>550.00</u>	<u>          </u>
	1450.00	1250.00
<b>Term Loans</b>		
Power Finance Corporation Limited	<u>15.00</u>	<u>25.00</u>
	<b>1465.00</b>	<b>1275.00</b>
<b>Loans in Foreign Currency</b>		
<b>From Foreign Banks &amp; Financial Institutions</b>		
<b>Loans Guaranteed by Govt of India</b>		
a. Natixis Banque (Formerly Credit National), France	112.56	115.30
b. Japan International Cooperation Agency (Formerly Japan Bank for International Cooperation ), Japan	159.81	151.73
c. European Investment Bank, Luxembourg	<u>55.77</u>	69.59
	328.14	336.62
<b>To be secured</b>		
(Pending creation of security by way of pari passu interest in the liens created on the assets as security for the debts)		
a) ADB-IV	692.01	115.38
b) ADB-V	155.66	11.78
c) PSDP-IV (Addl.)	1208.51	747.00
d) PSDP-V	<u>253.60</u>	<u>54.81</u>
	2309.78	928.97
<b>Others</b>		
Kreditanstalt fur Wiederaufbau, Germany	340.82	413.71
Skandinaviska Enskilda Banken AB(publ), Sweden	<u>113.96</u>	<u>116.71</u>
	454.78	530.42
	<u>3092.70</u>	<u>1796.01</u>
	<b>3092.70</b>	<b>1796.01</b>
<b>Total Unsecured Loans</b>	<b>4557.70</b>	<b>3071.01</b>
Due for repayment/redemption within one year	<b>1650.63</b>	<b>1427.20</b>



**Schedule 07 - Capital Work In Progress**

Description	(₹ in crore)				
	As at 1st April, 2010	Additions during the year	Adjustments during the year	Capitalised during the year	As at 31st March, 2011
Land					
Development of land	34.22	32.38	11.84	1.71	<b>53.05</b>
Buildings					
a) Sub-Stations & Office	36.84	42.21	1.15	18.08	<b>59.82</b>
b) Township	54.01	28.31	0.37	23.86	<b>58.09</b>
Temporary erection	0.57	(0.19)	0.12	0.10	<b>0.16</b>
Roads & Bridges	8.37	7.38	0.07	4.69	<b>10.99</b>
Water Supply Drainage and Sewerage	6.42	3.68	0.22	4.07	<b>5.81</b>
Plant & Machinery (including associated civil works)					
a) Transmission Lines	6560.92	6988.71	(41.68)	4475.77	<b>9115.54</b>
b) Sub-Station	2149.30	1905.64	17.92	2353.98	<b>1683.04</b>
c) ULDC	5.73	3.17	0.50	3.17	<b>5.23</b>
d) Telecom links	72.29	29.47	44.74	38.13	<b>18.89</b>
Furniture, Fixtures & Other office equipment	6.73	1.33	4.08	1.00	<b>2.98</b>
Electrical installations	12.26	5.40		3.53	<b>14.13</b>
Survey, Investigation, Consultancy & Supervision Charges	52.36	7.42	7.93	3.22	<b>48.63</b>
Difference in Exchange on foreign Loans	(0.02)	11.26	15.00	(3.74)	<b>(0.02)</b>
Capital expenditure on assets not owned by Company	1.08	(0.03)	1.05	-	<b>-</b>
Incidental Expenditure during Construction	1191.92	1269.71	673.34	-	<b>1788.29</b>
Intangible Assets					
Afforestation Charges	52.07	84.96	-	37.98	<b>99.05</b>
<b>TOTAL</b>	<b>10245.07</b>	<b>10420.81</b>	<b>736.65</b>	<b>6965.55</b>	<b>12963.68</b>
Previous Year	6536.13	6807.27	329.55	2768.78	10245.07
Less: Provisions for assets discarded					<u>2.70</u>
					<u>10242.37</u>

**Schedule 08 - Construction Stores and Advances**

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>Construction Stores</b> {Including Material in transit/pending issue to contractors and with contractors of ₹10720.53 crore (Previous Year ₹ 7405.42 crore )}		
Towers	2627.20	2267.63
Conductors	3450.79	3001.93
Other Line Materials	1183.07	743.04
Sub-Station Equipments	3411.46	1093.12
HVDC Equipments	50.11	264.89
ULDC Materials	19.78	0.89
Telecom Materials	0.40	2.76
Steel	0.54	0.56
Others	5.91	58.63
	<u>10749.26</u>	<u>7433.45</u>
Less: Provision for Shortages and obsolete material	0.01	0.01
	<b>10749.25</b>	<b>7433.44</b>
<b>Advances for Capital Expenditure</b>		
Secured		
Considered Good	1.07	1.43
Unsecured		
Considered Good		
a. Against Bank guarantees	2422.94	2543.42
b. Others	487.65	201.52
Considered Doubtful	1.18	1.91
	<u>2911.77</u>	<u>2746.85</u>
Less: Provision for Bad & Doubtful Advances	1.18	1.91
	<u>2910.59</u>	<u>2744.94</u>
	<b>2911.66</b>	<b>2746.37</b>
	<b>13660.91</b>	<b>10179.81</b>

## Schedule 09 - Investments

(₹ in crore)

Description	As at 31st March, 2011	As at 31st March, 2010
<b>LONG TERM</b>		
<b>A. TRADE INVESTMENTS</b>		
<b>I. Govt. Securities ( Unquoted ):-</b>		
<b>a) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of :</b>		
Andhra Pradesh	90.26	108.31
Arunachal Pradesh	2.61	3.13
Assam	83.90	100.68
Bihar	81.07	97.28
Gujarat	35.02	42.03
Haryana	40.25	48.30
Himachal Pradesh	1.42	1.70
Jammu & Kashmir	80.99	97.18
Kerala	12.06	14.47
Madhya Pradesh	52.03	62.44
Maharashtra	6.74	8.08
Manipur	15.85	19.02
Meghalaya	0.22	0.26
Mizoram	0.01	0.01
Nagaland	6.97	8.36
Punjab	23.47	28.16
Rajasthan	4.36	6.54
Sikkim	5.63	6.76
Tripura	0.45	0.55
Uttar Pradesh	230.73	276.88
Uttaranchal	25.63	30.76
West Bengal	40.24	48.29
Jharkhand	55.75	66.91
	<b>895.66</b>	<b>1076.10</b>
<b>b) Other Bonds:-</b>		
15 years 8.5% J&K Govt. Bonds 2017, Interest payable semi-annually, redeemable w.e.f 30.11.2007	15.00	17.31
15 years 8.5% J&K Govt. Bonds 2018, Interest payable semi-annually, redeemable w.e.f 31.03.2008	18.81	21.50
	<b>33.81</b>	<b>38.81</b>
<b>II. Equity Shares-Fully Paid up :-</b>		
<b>Quoted</b>		
<b>PTC India Ltd</b>		
120,00,006(Previous year 120,00,006) Shares of ₹10/- each fully paid up.		
{Market Value ₹100.08 crore @ 83.40 (NSE) per share(Previous year ₹134.46 crore @ 112.05 (NSE) per share)}	12.00	12.00



## Schedule 09 - Investments (Contd.)

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>Unquoted</b>		
<b>Subsidiary Company</b>		
<b>Byrnihat Transmission Co. Ltd.</b>		
NIL (Previous year 50,000) Equity shares of ₹10/- each fully paid up.	-	0.05
Less: Provision for diminution	-	0.01
	-	0.04
<b>Power System Operation Corporation Ltd.</b>		
3,06,40,000 (Previous year 50,000) Equity shares of ₹10 each fully paid up	30.64	0.05
<b>Joint Venture Companies</b>		
<b>Torrent Power Grid Ltd.</b>		
234,00,000 (Previous year 234,00,000) Equity Shares of ₹10/- each fully paid up.	23.40	23.40
<b>Powergrid IL &amp;FS Transmission Pvt. Ltd</b>		
NIL (Previous year 25,000) Equity shares of ₹10/- each fully paid up.		0.03
Less: Provision for diminution		0.03
<b>Jaypee Powergrid Ltd.</b>		
6,50,00,000 (Previous year 4,55,00,000) Equity Shares of ₹10/- each fully paid up.	65.00	45.50
<b>Parbati Koldam Transmission Company Ltd.</b>		
2,14,83,800 (Previous year 33,93,000) Equity shares of ₹10/- each fully paid up.	21.49	3.39
<b>Teestavalley Power Transmission Limited</b>		
2,03,33,000 (Previous Year 13,000) Equity shares of ₹10/- each fully paid up.	20.33	0.01
<b>Powerlinks Transmission Ltd</b>		
22,93,20,000 (Previous year 22,93,20,000) Equity shares of ₹10/- each fully paid up	229.32	229.32
<b>North East Transmission Company Ltd.</b>		
3,01,52,453 (Previous year 23,10,10,000) Equity shares of ₹10/- each fully paid up	30.15	23.10
<b>Energy Efficiency Services Ltd</b>		
6,25,000 (Previous year 6,25,000) Equity shares of ₹10/- each fully paid up	0.62	0.62
<b>National High Power Test Laboratory Ltd.</b>		
26,25,000 (Previous year 8,75,000) Equity shares of ₹10/- each fully paid up	2.63	0.88
	423.58	326.31
<b>TOTAL (A)</b>	<b>435.58</b>	<b>338.31</b>
<b>B. Non-trade investments ( Unquoted )</b>		
500 Fully paid up shares of ₹10/- each in Employees Co-op Society Limited Itarsi (₹5000/-)		
500 Fully paid up shares of ₹10/- each in Employees Co-op Society Limited Nagpur (₹5000/-)		
500 Fully paid up shares of ₹10/- each in Employees Co-op Society Limited Jabalpur (₹5000/-)		
<b>TOTAL (B)</b>		
<b>GRAND TOTAL (A+B)</b>	<b>1365.05</b>	<b>1453.22</b>

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	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
(Valuation as per Accounting policy No.11 )		
Components, Spares & other spare parts		
i) Transmission Inventory		
Towers	96.34	88.42
Conductors	22.03	22.52
Other Line Materials	70.53	54.40
ii) Sub-Station Equipments/Spares	91.89	79.73
iii) HVDC Equipments/spares	41.13	40.70
iv) ULDC Spares	2.69	2.90
v) Telecom Spares	11.50	11.02
vi) Other Stores	42.55	43.55
Consumable stores	2.41	1.00
Loose tools	0.70	0.82
	<u>381.77</u>	<u>345.06</u>
Less Provision for Shortages	0.26	0.16
<b>TOTAL</b>	<b><u>381.51</u></b>	<b><u>344.90</u></b>

## Schedule 11 - Sundry Debtors

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
Debts Outstanding for a period exceeding Six Months		
Considered Good	1.91	1.26
Considered Doubtful	<u>78.05</u>	<u>113.89</u>
	<b>79.96</b>	<b>115.15</b>
Other Debts		
Considered Good	<u>3160.18</u>	<u>2213.60</u>
	<b>3240.14</b>	<b>2328.75</b>
Less: Provision for bad & doubtful debts	<u>78.05*</u>	<u>113.89*</u>
<b>TOTAL</b>	<b><u>3162.09</u></b>	<b><u>2214.86</u></b>

\* includes provision of ₹57.79 crore in respect of amount receivable from DESU.

## Schedule 12 - Cash and Bank Balances

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
Cash, Stamps and Imprest	<b>0.04</b>	0.09
Drafts/Cheques in Hand	<b>1.43</b>	25.58
Remittance in transit		9.35
Balances with scheduled banks-		
-In Current Accounts/Flexi deposit Account	<b>1557.42*</b>	3242.62*
{Including ₹1399.22 crore (Previous year ₹2929.66 crore) lying in designated accounts meant for specific disbursement}		
-In Term Deposits	<u>2121.17</u>	-
<b>TOTAL</b>	<b><u>3680.06</u></b>	<u>3277.64</u>

\*Includes ₹4.31 crore (Previous year ₹2.96 crore) on account of unclaimed Dividend

**Schedule 13 - Other Current Assets**

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
Interest accrued on:		
Investments (Bonds)	43.55	51.39
Term/Fixed deposits	65.10	21.81
	<b>108.65</b>	73.20
Deferred Income/Expenditure from Foreign Currency Fluctuation (Net)	<b>11.59</b>	56.37
Deferred Foreign Currency Fluctuation Asset/Liability(Net)	<b>328.97</b>	346.80
Others	<b>50.28</b>	20.77
	<b>499.49</b>	497.14
Less: Provisions for Doubtful FERV recoverable	-	9.62
<b>TOTAL</b>	<b>499.49</b>	<b>487.52</b>

**Schedule 14 - Loans and Advances**

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>a) Loans to</b>		
-Employees [ Including interest on employee loan of ₹56.77 crore(Previous year ₹60.31crore)]	136.87	126.06
-Long Term Advances(Under securitisation scheme)	84.84	107.98
-Others	0.89	0.14
	<b>222.60</b>	234.18
<b>b) Lease Receivables(State sector ULDC)</b>	<b>591.60</b>	655.07
<b>c) Advances</b>		
<b>Advances recoverable in cash or in kind or for value to be received</b>		
Contractors & Suppliers (Including Material issued on loan)	6.76	5.99
Employees	54.70	131.79
Claims recoverable	19.73	12.57
Others	199.25	1135.06
Purchase consideration-Loans recoverable	40.31	
	320.75	1285.41
Less: Provision for bad and doubtful Advances and Claims	9.23	10.72
	311.52	1274.69
Balance with Customs, Port Trust and other authorities	52.83	37.24
Advance Tax & TDS	1615.43	1101.22
	<b>1979.78</b>	2413.15
<b>TOTAL</b>	<b>2793.98</b>	<b>3302.40</b>
<b>Particulars of Loans and Advances</b>		
Secured	<b>73.81</b>	60.61
Unsecured Considered Good	<b>2720.17</b>	3241.79
Considered doubtful	<b>9.23</b>	10.72
	<b>2803.21</b>	3313.12
Less: Provision for Bad & Doubtful Claims	<b>9.23</b>	10.72
<b>TOTAL</b>	<b>2793.98</b>	<b>3302.40</b>
<b>Due from Directors &amp; Officers of the company</b>		
Directors	<b>0.07</b>	0.09
Officers	<b>15.89</b>	24.47
Directors Maximum Amount	<b>0.10</b>	0.15
Officers Maximum Amount	<b>20.84</b>	29.50

## Schedule 15 - Current Liabilities

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>Sundry Creditors</b>		
For capital expenditure	1640.13	888.12
Other goods and services	196.65	172.50
	<b>1836.78</b>	<b>1060.62</b>
Advance from Customers	2227.34	1886.80
Deposits Retention money from contractors and others.	1950.37	1357.02
Less: Investments held as security	2.05	0.48
	<b>4175.66</b>	<b>3243.34</b>
<b>Investor Education and Protection Fund</b>		
Un-paid (Un-claimed) matured bonds*	0.07	0.06
Unclaimed Dividend *	4.31	2.96
<b>Other Liabilities</b>	<b>179.66</b>	<b>2690.55</b>
<b>Interest Accrued But Not Due On Loans From</b>		
Indian Banks, Financial Institutions & Corporations	21.06	25.92
Foreign Banks & Financial Institutions	30.09	31.29
Secured/Unsecured redeemable Bonds	866.18	579.86
	<b>917.33</b>	<b>637.07</b>
<b>Total</b>	<b>7113.81</b>	<b>7634.60</b>

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

## Schedule 16 -Provisions

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>Taxation</b> (Including interest on Tax )		
As per last balance sheet	1148.04	1025.32
Additions during the year	680.02	433.66
Amount adjusted during the year	246.08	310.94
	<b>1581.98</b>	<b>1148.04</b>
<b>Employee Benefits</b>		
As per last balance sheet	311.57	308.39
Additions during the year	152.48	40.15
Amounts utilised/paid during the year	119.23	36.97
	<b>344.82</b>	<b>311.57</b>
<b>Transmission incentive, special incentive &amp; PRP</b>		
As per last balance sheet	148.69	81.30
Addition during the year	132.79	78.08
Amount paid/adjusted during the year	90.77	10.69
	<b>190.71</b>	<b>148.69</b>
<b>Provision for Retirement benefit/Wage revision</b>		
As per last balance sheet	342.93	422.53
Additions during the year	278.69	169.81
Amounts utilised/paid during the year	64.24	249.41
	<b>64.24</b>	<b>342.93</b>
<b>Proposed Final Dividend</b>		
As per last balance sheet	420.88	294.62
Additions during the year	578.72	420.88
Amounts paid during the year	420.88	294.62
	<b>578.72</b>	<b>420.88</b>
<b>Downtime Service Credit-Telecom</b>		
As per last balance sheet	1.77	-
Additions during the year	0.69	-
	<b>2.46</b>	<b>-</b>
<b>Guarantee Fee to GOI</b>		
As per last balance sheet	16.28	7.59
Additions during the year	2.37	8.69
	<b>18.65</b>	<b>16.28</b>
<b>Dividend Tax</b>		
As per last balance sheet	69.90	50.07
Additions during the year	93.88	69.90
Amounts paid during the year	69.90	50.07
	<b>93.88</b>	<b>69.90</b>
<b>TOTAL</b>	<b>2875.46</b>	<b>2458.29</b>

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

Description	(₹ in crore)			
	As at 1st April, 2010	Additions/ Adjustments during the year	Deductions during the year	As at 31st March, 2011
Deferred Revenue Expenditure	3.56	0.71	1.86	2.41
<b>TOTAL</b>	<b>3.56</b>	<b>0.71</b>	<b>1.86</b>	<b>2.41</b>
Previous Year	5.50	-0.16	1.78	3.56

**Schedule 18 - Contingent Liabilities**

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
Claims against the Company not acknowledged as debt in respect of		
Arbitration / Court Cases	2245.45	1828.09
Land / Crop/Tree Compensation cases	917.03	503.42
Service Tax	-	1099.62
Others	52.92	167.69
Disputed Tax Demands-Income Tax	5.97	4.36
Disputed Tax Demands-Service Tax	-	66.48
Disputed Tax Demands-Others	96.60	123.84
Continuity Bonds with Custom Authorities	1183.82	969.92
Others-Service Tax	-	1656.93
Others	53.29	47.34
<b>Total</b>	<b>4555.08</b>	<b>6467.69</b>

**Schedule 19 - Revenue from Operations**

Description	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Revenue from Transmission Charges (Refer Note No.14 and 15 of Schedule 28 )	7653.08	6630.42
Less: Advance Against Depreciation	0.96	62.97
	7652.12	6567.45
Add: Revenue Recognised out of AAD	38.52	8.93
	<b>7690.64</b>	6576.38
	<b>7690.64</b>	6576.38
Income from Short Term Open Access Consultancy, Project Management and Supervision Fees	211.51	124.18
Revenue from Telecom	299.35	269.17
NLD	172.99	157.69
IP-1	16.84	6.66
ISP	1.06	1.83
	190.89	166.18
Less: Inter Divisional Transfer (Telecom)		
NLD	3.56	3.10
IP-1	-	5.16
ISP	0.13	0.20
	3.69	8.46
<b>TOTAL</b>	<b>8388.70</b>	<b>7127.45</b>

## Schedule 20 - Provisions written Back

Description	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Doubtful debts-FBT	34.46	-
Capital work in Progress	2.70	-
Others	3.06	0.21
<b>TOTAL</b>	<b>40.22</b>	<b>0.21</b>

## Schedule 21 - Other Income

Description	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Dividend on Trade Investments	74.82	24.37
<b>Interest From</b>		
Govt. Securities		
8.5% Tax Free Bonds	87.64	102.97
Taxable Bonds	3.46	3.93
Loan to State Govt. in settlement of dues from Customers	8.20	9.51
Indian Banks [TDS ₹13.21 crore ( Previous year ₹12.46 crore) ]	190.63	64.66
Interest From advances to Contractors	75.28	90.68
Interest on differential between provisional and Final Tariff by CERC	118.68	19.69
Others	5.26	4.16
	<b>489.15</b>	<b>295.60</b>
Profit on sale of fixed assets	0.13	1.13
Deferred Income (Transferred from Grants-in-aid)	20.26	26.53
Short Term Open Access-Other Charges	12.99	25.19
Transfer from Insurance Reserve on A/c of Losses of Fixed Assets	2.21	0.34
Lease Income-State Sector ULDC	74.02	56.45
Surcharge	6.07	7.95
FERV gain	77.96	475.99
Less: Payable to beneficiaries	-0.71	471.30
	<b>78.67</b>	<b>4.69</b>
Miscellaneous income	<b>75.83</b>	<b>54.50</b>
	<b>834.15</b>	<b>496.75</b>
Less: Income transferred to incidental expenditure during construction-Sch 27(E)	<b>163.27</b>	<b>120.83</b>
<b>TOTAL</b>	<b>670.88</b>	<b>375.92</b>

## Schedule 22 - Employees' Remuneration & Benefits

Description	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Salaries, wages, allowances & benefits	807.72	783.23
Contribution to provident and other funds	149.22	81.14
Welfare expenses	86.01	94.89
	<b>1042.95</b>	<b>959.26</b>
Less: Transferred to Incidental Expenditure during Construction-Schedule 27(A)	<b>297.06</b>	<b>232.56</b>
<b>TOTAL</b>	<b>745.89</b>	<b>726.70</b>



## Schedule 23 - Transmission, Administration and Other Expenses

(₹ in crore)

Description		For the year ended 31st March, 2011	For the year ended 31st March, 2010
Repair & Maintenance			
Buildings		17.70	20.05
Plant & Machinery			
Sub Station	106.81		94.60
Transmission lines	33.96		36.47
Construction equipment	0.02		0.02
Others	29.86		29.44
		170.65	160.53
System & Market Operation charges		7.79	
Power charges	71.58		65.18
Less: Recovery from contractors	0.62		0.80
		70.96	64.38
Expenses of Diesel Generating sets		3.42	2.84
Stores & spares consumed		0.03	0.03
Water charges		1.25	1.05
Right of Way charges(Telecom)		3.94	4.18
			<b>275.74</b>
Training & Recruitment expenses	22.30		18.40
Less: Fees for training and application	1.08		0.88
		21.22	17.52
Legal expenses		3.85	4.83
Professional charges		12.21	11.55
Consultancy expenses		0.87	0.68
Communication expenses		11.23	11.36
Travelling & Conveyance Expenses	68.22		63.14
Foreign travel	7.80		6.11
		76.02	69.25
Tender expenses	11.14		8.44
Less: Sale of tenders	3.21		2.01
		7.93	6.43
Remuneration to auditors (Including service Tax)			
Audit Fees	0.36*		0.24
Tax Audit Fees	0.11*		0.07
Quarterly review Fees as per SEBI	0.27*		0.18
Annual review fees as per DOT	0.06*		0.07*
In Other Capacity	0.22*		0.21
Lodging,boarding & travelling expenses	0.57		0.68
Reimbursement of service Tax	0.09		0.08
* Including arrears of ealier year		1.68	1.53

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

Description	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Advertisement and publicity	12.61	9.83
Printing and stationery	5.97	6.37
Books, Periodicals and Journals	0.53	1.76
EDP hire and other charges	2.47	2.30
Entertainment expenses	1.60	1.56
Brokerage & Commission	0.20	0.18
Research & Development expenses	0.47	0.02
Cost Audit Fees	0.22	0.19
Rent	6.61	6.04
Miscellaneous expenses	27.42	16.43
Horticulture Expenses	4.75	4.19
Security Expenses	55.07	48.38
Hiring of Vehicle	49.88	40.58
Insurance	16.95	11.00
Rates and taxes	20.38	20.24
Bandwidth charges, Dark fibre lease charges (Telecom) etc	9.74	8.01
Expenditure on Corporate Social Responsibility	15.58	4.29
Bad debts/Advances W/f	2.38	-
Non operating expenses	0.26	0.26
Transit Accomodation Expenses	4.18	3.30
Less : Recovery for usage	0.51	0.49
	3.67	2.81
	371.77	307.59
	647.51	560.65
Less: Transferred to Incidental Expenditure during Construction-Sch. 27(B)	68.97	58.18
	578.54	502.47
Loss on Disposal/Write off of Fixed Assets	7.11	4.96
<b>TOTAL</b>	<b>585.65</b>	<b>507.43</b>
Stores & spares consumption included in repair and maintenance	39.34	44.74

## Schedule 24 - Provisions

Description	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Doubtful FERV recoverable	-	9.62
GOI Guarantee Fee	2.37	8.69
Others	1.61	3.84
<b>TOTAL</b>	<b>3.98</b>	<b>22.15</b>



**Schedule 25- Interest and Finance Charges**

(₹ in crore)

Description		For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>Interest on Loan from</b>			
Indian Banks, Financial Institutions & Corporations	137.06		153.56
Foreign Banks and Financial Institutions	140.09		189.53
Secured/Unsecured redeemable Bonds	2168.40		1560.75
Interest on Land/tree Compensation	-		3.25
Interest u/s 234B & C	-		3.32
Others	15.42		23.41
		2460.97	1933.82
Add: FERV as adjustment to borrowing cost	74.46		3.22
Less: Transferred to Incidental Expenditure during Construction-FERV	0.27		1.05
		74.19	2.17
		<b>2535.16</b>	1935.99
<b>Finance Charges</b>			
Rebate to Customers	102.78		77.68
Commitment charges	4.53		6.92
Guarantee fee	120.34		109.76
Other finance charges	28.26		21.70
		<b>255.91</b>	216.06
		<b>2791.07</b>	2152.05
Less: Transferred to Incidental Expenditure during Construction-Schedule 27 (D)		<b>1057.14</b>	608.81
<b>TOTAL</b>		<b>1733.93</b>	1543.24

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

(₹ in crore)

Description		For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>Income</b>			
Revenue from Telecom	-		0.27
Depreciation written back	1.25		1.10
FERV gain	-		0.93
Grant in aid	2.19		-
Others	4.79		4.20
		<b>8.23</b>	<b>6.50</b>
<b>Expenditure</b>			
Power charges	0.02		0.17
Rates and taxes	0.57		0.46
Depreciation	1.12		0.14
Depreciation amortised due to FERV	3.27		-
Telecom Revenue written back	-		0.05
Others	8.83		104.69
		<b>13.81</b>	<b>105.51</b>
Prior period expenditure/(income) (Net)		<b>5.58</b>	<b>99.01</b>
Less: Transferred to Incidental Expenditure during Construction -Schedule 27		<b>1.21</b>	2.74
<b>TOTAL</b>		<b>4.37</b>	<b>96.27</b>

## Schedule 27 Incidental Expenditure During Construction

(₹ in crore)

Description		For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>A. Employees Remuneration &amp; Benefits</b>			
Salaries, wages, allowances and benefits		238.47	195.03
Contribution to provident and other funds		38.13	18.10
Welfare expenses		20.46	19.43
<b>Total(A)</b>		<b>297.06</b>	<b>232.56</b>
<b>B. Other Expenses</b>			
Repairs and Maintenance			
Buildings	1.93		3.08
Others	1.04		1.17
		2.97	4.25
Power charges	3.03		3.83
Less: Recovered from contractors	0.37		0.44
		2.66	3.39
Expenses of Diesel Generating sets		0.35	0.31
Water charges		0.27	0.20
Legal expenses		1.11	0.42
Professional charges		1.76	1.22
Consultancy expenses		0.31	0.19
Communication expenses		2.90	2.97
Travelling & Conv.exp. (Including Foreign Travel)		21.62	19.91
Tender expenses	6.42		4.48
Less: Income from sale of tenders	3.16		1.91
		3.26	2.57
Payment to Auditors		0.51	0.44
Advertisement and Publicity		0.59	1.37
Printing and stationery		0.44	0.35
EDP hire and other charges		0.09	0.06
Entertainment expenses		0.15	0.10
Brokerage and commission		0.04	0.02
Rent		2.06	1.70
Miscellaneous expenses		5.90	3.19
Horticulture Expenses		0.24	0.27
Security Expenses		5.78	4.30
Hiring of Vehicles		14.75	10.44
Insurance		0.11	0.10
Rates and taxes		0.45	0.15
Bandwidth, Dark fibre, lease charges etc			0.02
Transit Accomodation Expenses	0.67		0.26
Less : Recovery for usage	0.02		0.02
		0.65	0.24
<b>Total(B)</b>		<b>68.97</b>	<b>58.18</b>
Prior Period adjustment (net)		1.21	2.74
<b>Total(B1) (including prior period)</b>		<b>70.18</b>	<b>60.92</b>

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

(₹ in crore)

Description	For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>C. Depreciation</b>	<b>8.33</b>	4.94
<b>D. Interest and Finance Charges</b>		
<b>Interest on Loans from</b>		
Foreign Banks and Financial Institutions	22.29	43.97
Secured/Unsecured Redeemable Bonds	994.77	498.40
Add/Less: FERV as adjustment to borrowing cost	0.27	1.05
	<b>1017.33</b>	543.42
<b>Finance Charges</b>		
Commitment charges	3.68	5.73
Guarantee fee	35.51	43.88
Other Finance Charges	0.89	16.83
	<b>40.08</b>	66.44
<b>Total ( D )</b>	<b>1057.41</b>	609.86
<b>E. Less: Other Income</b>		
<b>Interest from</b>		
Indian banks	59.05	25.08
Interest From advances to Contractors	75.14	89.97
Others	1.04	0.58
Sub-Total	<b>135.23</b>	115.63
Miscellaneous income	<b>27.85</b>	5.01
Hire charges	<b>0.19</b>	0.19
<b>Total (E)</b>	<b>163.27</b>	120.83
<b>GRAND TOTAL (A+B1+C+D-E)</b>	<b>1269.71</b>	787.45

## SCHEDULE 28 : NOTES ON ACCOUNTS

1.
  - a) The company owns 5377 hectare (Previous Year 4703 hectare) of land amounting to ₹845.81 crore (Previous Year ₹536.56 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 ₹22.91 crore (Previous Year ₹19.89 crore) and in certain other cases (value not ascertainable), the conveyancing of title to the freehold land and execution/registration of lease agreements in favour of the company is pending for completion of legal formalities.
  - c) Freehold land includes ₹33.71 crore (previous year ₹33.71 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 ₹7.64 crore (previous year ₹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 ₹7.27 crore (previous year ₹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 ₹3.80 crore (previous year ₹3.80 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 ₹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 ₹0.78 crore (Previous year ₹1.49 crore) and de-capitalized in respective assets. The cumulative amount received and de-capitalized upto 31<sup>st</sup> March 2011 is ₹12.12 crore (Previous year ₹11.34 crore). The company continued to show the balance of ₹197.87 crore as at 31<sup>st</sup> March 2011 (Previous year ₹198.65 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 ₹34.68 crore (previous year ₹106.33 crore) (included under Construction Stores – schedule 8) in commissioned lines is shown as construction stores lying with contractors.
6. The transmission systems situated in Jammu and Kashmir have been taken over by the Company w.e.f. 1<sup>st</sup> April, 1993 from National Hydroelectric Power Corporation Ltd. (NHPC) upon mutually agreed terms, pending completion of legal formalities.
7. 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 has stayed the refund of Entry Tax collected by it. The Company capitalised ₹13.62 crore paid towards entry tax in earlier years. The same will be decapitalised upon final resolution of the issue.
8.
  - 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.
9. During the year, 400 KV Koldam -Nalagarh (D/C QUAD conductor) line along with 400 KV Line Bays at Nalagarh end have become ready for intended use of evacuation of power from Koldam Hydro Electric Project of National Thermal Power Corporation (NTPC) from 01.04.2010. Accordingly the asset was capitalized in accordance with the Accounting Policy No. 4.4 of the Company and net revenue expenditure of ₹22.07 crore (including Depreciation of ₹9.66 crore) has been charged to Profit and loss Account.  
The generation unit of Koldam HEP is yet to be commissioned. Clause 3 (12) (c) of the CERC (Terms and Conditions of Tariff) Regulations 2009 applicable for the block period 2009-14 provides for approval of the Date of Commercial Operation (DOCO), prior to the element coming into regular service for evacuation of power. A petition has been filed by the Company before CERC for approval of DOCO w.e.f. 01/04/2010 and the corresponding transmission charges. Pending approval of DOCO and the transmission charges of the asset by CERC no revenue has been recognized during the year.
10. Cash and Bank Balances include ₹38.41 crore (previous year ₹34.53 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.

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

11. Information in respect of cost plus consultancy contracts, considering the same as consultancy business in view of Accounting Standard (AS)-7 (Revised 2002) "Construction Contracts".

(₹ in crore)

Particulars		Year ended 31.03.2011	Year ended 31.03.2010
i)	The amount of revenue recognised on cost plus consultancy contract works	<b>212.03</b>	<b>204.95</b>
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).	<b>As Per Policy</b>	As Per Policy
iii)	Cumulative amount of costs incurred on construction contracts	<b>9510.18</b>	7128.44
iv)	Cumulative amount of advance received from customers	<b>11078.81</b>	8505.61
v)	Amount of retention money with customers	<b>49.58</b>	41.76
vi)	Gross amount due from customers for contract works as an asset	<b>15.38</b>	14.53
vii)	Gross amount due to customers for contract works as a liability	<b>1845.65</b>	1084.25

12. a) The company has been providing for depreciation at the rates notified for the purpose of recovery of tariff, by CERC. MOP has issued 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 period 2009-14 which provides for specified depreciation rates in first 12 years and thereafter amortisation of residual value over the residual life. Accordingly, depreciation on the transmission assets for the year has been provided as per rates and methodology notified under CERC Regulations.
- b) Depreciation charge for the year is lower by ₹64.82 crore (previous year ₹50.69 crore) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.
13. Effects due to changes in accounting policies during the year
- a) In view of an opinion of the expert advisory committee (EAC) of the Institute of Chartered Accountants of India, capital expenditure on assets not owned by the company, which was hitherto amortized over a period of four years, is now charged off to revenue as and when incurred. The unamortized balance as on 01/04/2010 under Fixed Assets and CWIP Schedule has been written off as prior period expenditure. This has resulted in decrease in profit by ₹3.56 crore (including prior period impact of ₹4.22 crore) with corresponding decrease in CWIP/Fixed Asset. The matter has been referred to EAC for reconsideration.
- b) Leasehold land, which was hitherto depreciated over the tenure of the lease, is now depreciated in 25 years or tenure of the lease whichever is less in accordance with the rate and methodology specified in CERC (Terms & Conditions of Tariff) Regulations, 2009 with retrospective effect from 01/04/2009. This has resulted in decrease in profit by ₹5.21 Crore (including prior period impact of ₹2.10 Crore).
- c) Liabilities for price variation/ exchange rate variation in case of contracts which were hitherto accounted for on acceptance/receipt of claims are now being accounted for on estimated basis as per terms of the contracts. The above change has resulted in increase in liability by ₹191.26 Crore with corresponding increase in CWIP/Fixed Assets. The above has also resulted in decrease in Profit by ₹10.49 crore.
- d) Liquidated damages / warranty claims which were hitherto being accounted for on receipt / certainty of receipt, are now recognized when no significant uncertainty as to measurability and collectability exists. The above has resulted in Decrease in liability by ₹59.70 crore with corresponding decrease in CWIP/Fixed Assets. The above has also resulted in decrease in Profit by ₹2.98 Crore.
- e) CERC Tariff Regulations 2009 for block period 2009-14 provide that tariff for additional capital expenditure incurred after the date of commercial operation shall be allowed based on the projected expenditure. In view of the above, Transmission income in respect of additional capitalization, which was hitherto accounted for on the basis of specific order by the CERC, is now being accounted for on accrual basis based on actual expenditure incurred from year to year after date of commercial operation. This has resulted in increase in transmission income amounting to ₹57.17 crore (including ₹17.47 crore for financial year 2009-10).
- f) The expenditure on Corporate Social Responsibility (CSR) which was, hitherto, incurred / appropriated out of profit to the extent of 0.75% of net profit of the preceding financial year, is now being incurred / appropriated to the extent of 1.00% of such profit. This has resulted in additional expenditure/appropriation of ₹5.10 crore for the year.
- g) Surcharge, which was, hitherto, accounted for on receipt / certainty of receipt, is now being accounted for when no

## NOTES ON ACCOUNTS (Contd...)

significant uncertainty as to measurability and collectability exists. The above change has resulted in increase in profit due to accounting of additional surcharge of ₹5.14 crore for the year.

### 14. In accordance with the CERC Tariff Regulations, 2009

- The Company has billed and recognized transmission income as per tariff orders issued by CERC applicable for the block period 2009-14.
- Where tariff has not been approved under block period 2009-14, in respect of assets commissioned upto 31.03.2009, the Company has billed transmission charges as approved by CERC for the block period 2004-09 as applicable as on 31.03.2009 and recognized revenue as per norms for the block period 2009-14.
- Where tariff has not been approved by CERC under block period 2009-14 in respect of assets commissioned after 01/04/2009, the Company has recognized revenue of ₹1207.39 crore based on Tariff Norms 2009-14 and the same is yet to be billed pending issuance of tariff orders by CERC for which petitions have been filed by the Company. However, CERC has amended the regulation 5 of the principal regulations vide its notification dated 02.05.2011 to the effect that Commission may consider in its discretion to grant provisional tariff upto 95% of the annual fixed cost of the project claimed in the application subject to adjustment after the final tariff order has been issued.
- Pending certification of monthly transmission system availability by the Regional Power Committee (RPC) of some of the regions, transmission incentive of ₹16.14 Crore has been recognized provisionally based on latest month's availability.
- Transmission income of ₹172.79 crore (previous year ₹180.77 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.
- The Company has allowed rebate against payment received through LC / cheques / RTGS for effecting better and timely recovery of dues from State Power Utilities on consistent basis.
- The Sundry Debtors - Other Debts in schedule – 11 includes an amount of ₹2152.71 crore (previous year ₹1582.32 Crore) on account of unbilled revenue in view of recognition of revenue as per CERC Tariff Norms applicable for 2009-14.

### 15. Following the CERC order dated 03/08/2010, wherein the staff of the Commission was directed to prepare and submit draft amendment to the tax rate as per the Finance Act for the relevant year, various formalities for amending regulations including issue of draft amendments inviting comments from the stake holders and holding of public hearing in this respect has been completed but the final amendment is yet to be notified by CERC. Pending notification of the amendments by CERC, Return on Equity (ROE) component of transmission charges amounting to ₹241.52 crore for the year has been recognized by grossing up the ROE using the applicable MAT rate of 19.9305% applicable for the year as against MAT rate of 11.33% applicable for the F.Y. 2008-09 ( on the basis of which billing is being made).

Revenue of ₹132.47crore pertaining to F.Y. 2009-10 on account of above using the applicable MAT rate of 16.995% applicable for the year as against MAT rate of 11.33% applicable for the F.Y. 2008-09 ( on the basis of which billing is being made). has also been recognised during the year.

The total amount on account of above of ₹373.99 crore is yet to be billed by the Company

### 16. a) As per order of Ministry of Power, GOI, the moveable assets of RLDCs (System Operation Segment) have been transferred to Power System Operation Corporation Limited (POSOCO) a wholly owned subsidiary w.e.f. 01/10/2010. The purchase consideration has been worked out and settled as per details given below :-

Depreciated Value of moveable assets (Net block)	:	₹	75.95	crore
CWIP and Construction Stores & Advances	:	₹	00.60	crore
Net Current Assets	:	₹	25.13	crore
Total	:	₹	101.68	crore
Less : Grant in Aid	₹	5.06	crore	
LDC Development Fund	₹	25.72	crore	:
Net Amount receivable	:	₹	70.90	crore

POSOCO has issued 3,05,90,000 fully paid equity shares of face value of ₹10/- each (Rupees ten only) amounting to ₹30.59 crore in favour of the Company and taken over loan liabilities of ₹40.31 crore towards Purchase Consideration.

- Loans and Advances includes ₹49.04 Crore (including interest of ₹0.34 Crore charged on estimated bases) advanced to POSOCO for day to day operations pending realisation of dues by POSOCO.

### 17. During the year company made Follow on Public Offer (FPO) and allotted 420,884,123 fresh equity shares of face value of ₹10 each at a premium of ₹80 each (₹75.50 each for retail investors) and further allotted 420,884,123 equity shares of ₹10 each for a consideration of ₹90 each (₹85.50 each to retail investors) being disinvestment on behalf of President

## NOTES ON ACCOUNTS (Contd...)

of India on 23<sup>rd</sup> November 2010. The company received ₹3721.17 crore through fresh issue of shares including share premium of ₹3300.29 crore and sale proceeds of equity of Government of India amounting to ₹3721.17 crore which was paid to Government of India. Out of the proceeds, a sum of ₹1600 crore has been utilized during the year for part financing of capital expenditure on the projects specified for utilization and the balance amount has been invested as per the investment policy of the company.

Issue expenses of ₹8.28 crore (Net after adjustment of Government of India share of Issue expenses of ₹7.64 crore) has been adjusted against Share Premium account (Schedule -2).

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 ₹74.19 crore (net of ₹0.27 crore FERV loss for the construction projects) {previous year FERV loss of ₹2.17 crore (net of ₹1.05 crore FERV loss for the construction projects)} towards loan liabilities attributable to fixed assets.
- (ii) FERV Loss of ₹15.71 crore (previous year FERV gain ₹704.85 crore) has been adjusted in the respective carrying amount of Fixed Assets/Capital work in Progress (CWIP)/lease receivables.
- (iii) FERV Gain of ₹77.96 crore (previous year FERV gain of ₹475.54 crore) has been recognized in the profit and loss Account in respect of loans contracted on or after 1<sup>st</sup> April, 2004 in terms of provisions of AS-11 (revised 2003)
- b) Other Income for the year include an amount of ₹0.07 crore being the FERV gain on Current Assets (previous year FERV gain of ₹0.34 crore).
19. FERV Loss of ₹0.71 crore (previous year FERV gain ₹471.30 crore) has been shown as FERV Recoverable and ₹(1.49) crore has been shown as depreciation amortisation (previous year ₹1.47 crore depreciation amortisation ) as per Accounting Policy No.9.3 and 9.4.
20. Accounting of FERV as stated in note nos. 18 and 19 above, has resulted in increase in profit for the year by ₹4.48 crore (previous year increase in profit by ₹3.54 crore).
21. Other Income includes ₹20.26 crore (previous year ₹26.53 crore) being the amount transferred from Grants- in- Aid received in respect of Chandrapur HVDC, NER ULDC (for six months ended on 30.09.2010) and Salakati as per Accounting Policy No. 3.1.
22. The company is following AS-15 (revised 2005) 'Employee Benefits'.

Defined employee benefit schemes are as under:-

### A. Provident Fund

Company pays fixed contribution to Provident Fund at predetermined rate 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 return 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 on superannuation, resignation, termination, disablement or on death subject to a maximum of ₹10 lacs. 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. The additional Gratuity liability provision under wage revision as on 31.03.2010 on enhanced limit from ₹3.5 lacs to ₹10 lacs on account of pay revision due for Supervisors and Workmen amounting to ₹54.88 crore was reversed. After revision of the limit from ₹3.5 lacs to ₹10 lacs during the FY 2010-11, the impact on valuation due to enhanced limit for Supervisors and Workmen is ₹78.32 crore.

### C. Post-Retirement Medical Facility (PRMF)

The company has Post-Retirement Medical Facility (PRMF), under which retired employees 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.

### D. 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:-

## NOTES ON ACCOUNTS (Contd...)

### a) Expenses recognised in profit and loss account

(₹ in crore)

	GRATUITY		PRMF		ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Current Service Cost	16.14	12.46	4.64	3.13	0.54	0.49
Interest cost on benefit obligation	19.78	12.05	6.79	5.38	0.83	0.65
Expected return on plan assets	-21.02	-13.75	-	-	-	-
Net actuarial (gain)/loss recognized in the year	78.29	-12.94	32.40	5.88	-0.18	1.21
Expenses recognized in the profit and loss a/c.	93.20	81.46	43.83	14.39	1.35	2.33

### b) Weighted average rate of return on plan assets during the year is 8.79% (previous year 8.73%)

### c) The amount recognized in the Balance Sheet

(₹ in crore)

	GRATUITY		PRMF		ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Present value of obligation as at 31/03/2011(i)	338.74	247.25	125.16	84.86	11.29	10.42
Fair value of plan assets as at 31/03/2011 (ii)	293.99	226.79	-	-	-	-
Difference (ii) – (i)	-44.75	-20.46	-125.16	- 84.86	-11.29	-10.42
Net asset (liability) recognized in the Balance Sheet	-44.75	-20.46	-125.16	- 84.86	-11.29	-10.42

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

(₹ in crore)

	GRATUITY		PRMF		ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Present value of obligation as at 01/04/2010	247.25	160.71	84.86	71.71	10.42	8.65
Interest cost	19.78	12.05	6.79	5.37	0.83	0.65
Current Service Cost	16.14	96.10	4.64	3.13	0.54	0.49
Benefits paid	-25.55	-9.47	-3.53	-1.24	-0.49	-0.58
Net actuarial (gain)/loss on obligation	81.11	-12.14	32.40	5.89	-0.018	1.21
Present value of the defined benefit obligation as at 31/03/2011	*338.74	247.25	125.16	84.86	11.29	10.42
Less : Liabilities transferred from Powergrid books to POSOCO books for employees transferred on Secondment basis to POSOCO.	-	-	-7.17	-	-0.65	-
Net Present value of the defined benefit obligation as at 31/03/2011 in Powergrid Books	-	-	117.99	-	10.64	-

\* The Gratuity scheme is funded by the company and is managed by a separate trust. The present value of the defined benefits obligation as on 31.03.2011 includes the amount of ₹20.47 Crore on account of employees transferred on Secondment basis to POSOCO.

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

(₹ in crore)

Particulars	GRATUITY	
	Current Year	Previous Year
Fair value of plan assets as at 01/04/2010	247.25	161.71
Expected return on plan assets	21.02	13.75
Contribution by employer	48.45	60.00
Benefits paid	-25.55	-9.47
Actuarial gain/(loss)	2.82	-0.80
Fair value of plan assets as at 31/03/2011	293.99	226.79

### f) During the year the company has provided liability towards contribution to the Gratuity Trust of ₹93.84 crore (Previous Year ₹81.23 crore) out of which 2.70 Crore is recoverable from POSOCO, PRMF of ₹37.99 crore (Previous Year ₹13.15 crore) and to ODRB of ₹0.82 crore (Previous Year ₹1.76 crore). Consequent upon settlement of wage revision of workmen & Supervisors, provision of ₹60.22 crore, has been reversed by crediting salary after retaining provision made in the earlier years ₹67.52 crore towards superannuation benefits as per DPE guidelines. The scheme of superannuation benefits is yet to be finalised.



## NOTES ON ACCOUNTS (Contd...)

### E. Other Employee Benefits

Provision for Leave encashment amounting to ₹16.52 crore (Previous Year ₹4.00 crore) for the year has been made on the basis of actuarial valuation at the year end and charged to Profit and Loss Account.

### F. Details of the Plan Asset (Gratuity)

The details of the plan assets at cost as on 31<sup>st</sup> March, 2011 are as follows:-

(₹ in crore)

	Year	(At Purchase Value)	
		Current Year	Previous Year
i)	State Government Securities	39.38	28.40
ii)	Central Government Securities	55.53	45.29
iii)	Corporate Bonds/Debentures	203.50	158.76
iv)	RBI Special Deposit	5.13	5.13
	<b>Total:-</b>	<b>303.54</b>	<b>237.58</b>

### G. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

- Method used - Projected unit credit (PUC)
- Discount rate: 8% (Previous Year 7.5%)
- Expected rate of return on assets (Gratuity only): 8.50 % (Previous Year 8.50%)
- Future salary increase: 5.5% (Previous Year 5%)

The estimate of future salary increases, considered in actuarial valuation, takes into account (i) inflation, (ii) Seniority (iii) Promotion and (iv) Other relevant factors, such as supply and demand in the employment market.

## 23. Segment Reporting

(₹ in crore)

	Transmission		Consultancy		Telecom		RLDCs *		ULDCs		Elimination		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue:														
Revenue from Operations	8141.81	6675.84	292.14	277.08	187.92	158.83	144.25	224.69	214.77	137.30			8980.89	7473.74
Inter Segment Revenue					3.69	8.46					-3.69	-8.46		
Net Revenue from Operations	8141.81	6675.84	292.14	277.08	191.61	167.29	144.25	224.69	214.77	137.30	-3.69	-8.46	8980.89	7473.74
Segment result	3384.33	2383.50	165.28	145.55	33.42	6.89	20.19	41.77	122.36	38.15			3725.58	2615.86
Unallocated Corporate interest and other income													118.91	29.84
Unallocated corporate expenses, interest and finance charges													19.76	19.38
Income tax (Net)													1127.84	585.38
Profit after Tax													2696.89	2040.94
Other information:														
Segment Assets	68071.60	55622.60	72.85	127.70	791.75	837.98	136.94	3278.60	1021.31	1035.99			70094.45	60902.87
Unallocated Corporate and other assets													5636.30	2661.11
Total Assets													75730.75	63563.98
Segment Liabilities:	47640.15	38283.79	1116.08	1652.79	708.63	702.39	155.98	3127.14	855.51	901.69			50476.35	44667.80
Unallocated Corporate and other liabilities													3718.50	2660.87
Total liabilities													54194.85	47328.67
Depreciation	2084.71	1835.77	0.35	0.30	49.31	47.07	32.89	62.84	32.13	33.71			2199.39	1979.69

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

\* Transferred to Power System Operation Corporation Ltd. w.e.f. 01.10.2010.

## NOTES ON ACCOUNTS (Contd...)

### a) Business Segments

The company's principal business is transmission of bulk power across different States of India. However, Power System Operation Assets, ULDC, RLDC, telecom and consultancy business are also treated as a reportable segment in accordance with para 28 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.

## 24. Related Party Disclosures:-

### a) Joint Ventures:-

- i) Powerlinks Transmission Limited
- ii) Torrent Power Grid Limited
- iii) Jaypee Powergrid Limited
- iv) Parbati Koldam Transmission Company Ltd
- v) Teestavalley Power Transmission Limited
- vi) North East Transmission Company Limited
- vii) National High Power Test Laboratory Private Limited
- viii) Energy efficiency Services Limited.

### b) Subsidiaries:-

Power System Operation Corporation Limited (POSOCO)

The name of another subsidiary, namely Byrnihat Transmission Company Ltd. has been struck off from the Register and the Company has been dissolved during the year.

## 25. a) Key Management Personnel

Sh. S.K. Chaturvedi	Chairman and Managing Director
Sh. J. Sridharan	Director (Finance) (Superannuated on 30th April, 2011)
Sh. V.M. Kaul	Director (Personnel)
Sh. R.N.Nayak	Director (Operations)
Sh. I.S.Jha	Director (Projects)
Sh. Rakesh Jain	Director
Dr. M. Ravi Kant	Director
Dr. P.K. Shetty	Director (Retired on 9th July 2010 and re-appointed vide order dated 19th October 2010 w.e.f 10th July, 2010)
Dr. A.S. Narag	Director (Retired on 9th July 2010 and re-appointed vide order dated 19th October 2010 w.e.f 10th July, 2010)
Sh. Anil K. Agarwal	Director (Retired on 9th July 2010 and re-appointed vide order dated 19th October 2010 w.e.f 10th July, 2010)
Sh. F.A. Vanderavala	Director (Retired on 9th July 2010 and re-appointed vide order dated 19th October 2010 w.e.f 10th July, 2010)
Sh. S.C. Tripathi	Director (ceased to be Director w.e.f. 24th April, 2011)
Dr. Ashok Khanna	Director (ceased to be Director w.e.f. 24th April, 2011)
Smt. Sarita Prasad	Director

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

b) Transactions with the related parties at 24 (a) above are as follows:

(₹ in crore)

Particulars	Current year	Previous Year
<b>Contracts for Works/Services for services received by the Company</b>		
Transactions during the year	Nil	Nil
Amount recoverable from related parties	Nil	Nil
Amount payable to related parties	Nil	Nil
<b>Contracts for Works/Services for services provided by the Company</b>		
Transactions during the year*	65.34	47.32
Amount recoverable from related parties*	18.02	35.35
<b>Dividend Received</b>	74.82	22.93
<b>Deputation of Employees</b>		
Transactions during the year	NIL	NIL
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) Transactions with the related parties at 24 (b) above are as follows:

In addition to transactions disclosed at note no. 16, company has paid System and Market Operation and other charges of ₹7.79 Crore and availed a rebate of ₹0.11 Crore. Company has also recovered ₹2.57 Crore from POSOCO towards dark fiber lease charges.

26. Remuneration to whole time directors including chairman and managing director is ₹1.77 crore (previous year ₹1.58 crore) and amount of dues outstanding to the company as on 31<sup>st</sup> March, 2011 are ₹0.07 crore (previous year ₹0.09 crore). Director's sitting fee ₹0.28 crore (Previous Year ₹0.25 crore) for independent directors.
27. Employees' remuneration and benefits include the following for the directors, including chairman and managing director and excluding arrears paid to ex-directors.

₹ in crore

Particulars	Current Year	Previous year
Salaries and Allowances	1.46	1.29
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	0.08	0.10
Other benefits	0.23	0.19
Directors fees	0.28	0.25

28. 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 ₹780/- p.m. as contained in the Ministry of Finance (BPE) Circular No.2(18)/pc/64 dt. 29th November, 1964 as amended.

**29. 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.

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

₹ in crore

Particulars	Amount as on 31.03.2011	Amount as on 31.03.2010
Gross value of assets acquired and leased at the beginning of the year.	989.03	958.57
Add: Adjustment for gross value of assets acquired prior to the beginning of the year.	5.03	30.45
Revised Gross value of the assets at the beginning of the year.	994.06	989.02
Less: Capital recovery provided up to the beginning of the year.	325.51	266.12
Add: Capital recovery for assets acquired prior to the beginning of the year.	2.06	0.85
Revised Capital recovery provided up to the beginning of the year.	327.57	266.97
Capital recovery outstanding as on 31 <sup>st</sup> March of last financial year.	666.49	722.05
Less: Capital recovery for the current year.	62.66	58.54
Lease receivables (*)	603.83	663.51

(\*) Does not include additional capitalisation which are subject to approval of CERC.

## NOTES ON ACCOUNTS (Contd...)

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

₹ in crore

Particulars	Amount as on 31.03.2011	Amount as on 31.03.2010
Gross investment in Lease	819.40	921.26
Un-earned Finance Income	215.57	257.75
Present value of Minimum Lease Payment (MLP)	603.83	663.51

Gross investment in lease and present value of minimum lease payments receivables as at 31<sup>st</sup> March, 2011 for each of the periods are as under:

₹ in crore

Particulars	Gross Investment in Lease		Present Value of MLPs	
	2010-11	2009-10	2010-11	2009-10
Not later than one year	114.83	113.33	67.31	62.76
Later than one year and not later than five years	459.30	453.34	322.14	301.17
Later than five years	245.27	354.59	214.38	299.58
Total	819.40	921.26	603.83	663.51

The unearned finance income as on 31<sup>st</sup> March, 2011 is ₹215.57 crore (previous year ₹257.75 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 not non-cancellable. Employees' remuneration and benefits include ₹26.67 crore (Previous Year ₹19.61 crore) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments of ₹6.27 crore (Previous Year ₹5.40 crore) in respect of premises for offices and guest house/transit camps are shown under Rent in Schedule-23 – Transmission, Administration and Other expenses.

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

	As at 31.03.2011	As at 31.03.2010
<b>Numerator</b>		
Profit after tax as per Profit and Loss Account (Used as Numerator) (₹ in crore)	2696.89	2040.94
<b>Denominator</b>		
Number of equity shares (Face value of ₹10/- each)	4208841230	4208841230
Number of Shares allotted during the year	420884123	NIL
Weighted Average number of equity shares for calculating Basic earning per share	4357592057	4208841230
Weighted Average number of equity shares for calculating Diluted earning per share	4357592057	4208841230
Basic earning per share (₹/ per share) (Face value of ₹10/- each)	6.19	4.85
Diluted earning per share (₹/ per share) (Face value of ₹10/- each)	6.19	4.85

31. During the year the company has provided ₹443.23 crore (previous year ₹164.97 crore) as deferred tax liability.

Major components of deferred tax liabilities and assets are given as under:

₹ in crore

Particulars	As at 31.03.2011	As at 31.03.2010
<b>Deferred Tax Liability</b>		
Towards Fixed Assets (Net) (A)	1195.98	755.31
<b>Deferred Tax Asset</b>		
Income during Construction	45.11	16.91
Provisions	0.15	12.19
Other Miscellaneous	3.98	22.70
<b>Sub Total (B)</b>	49.24	51.80
<b>Net Deferred Tax Liability (A-B)</b>	1146.74	703.51

## NOTES ON ACCOUNTS (Contd...)

### 32. Joint Venture entities:-

Name of the company	Proportion (%) of ownership as on	
	31/03/2011	31/03/2010
Powerlinks Transmission Limited	49%	49%
Torrent Power Grid Limited	26%	26%
Jaypee Powergrid Limited	26%	26%
Parbati Koldam Transmission Company Ltd	26%	26%
Teestavalley Power Transmission Limited	26%	0.02%
North East Transmission Company Limited	24.93%	30.917%
National High Power Test Laboratory Private Limited	25%	25%
Energy Efficiency Services Limited	25%	25%
Powergrid IL&FS Transmission Private Limited*	-	50%

\*Notice dated 16.03.2011 pursuant to section 560 (3) of the Companies Act 1956 issued by the Registrar of Companies to the effect that the name of the Company shall be struck off from the Register and the Company shall be dissolved at the expiry of three months unless cause is shown to the contrary.

In addition, the share application money of ₹8.92 crore and ₹24.38 crore given to North East Transmission Company Ltd. and Energy Efficiency Services Limited respectively, has been included in Advance – Others in Schedule no. 14 pending allotment of 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 in case 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 on 31<sup>st</sup> March 2011 and income and expenses for the year in respect of above joint venture entities based on their accounts are given below:-

₹ in crore

		Current Year	Previous Year
A.	<b>Assets</b>		
	Long Term Assets	1139.53	918.31
	Investments	10.19	39.33
	Current assets	171.24	170.41
	Profit and Loss A/C	1.32	1.18
	Misc Expenditure	0.48	0.48
	<b>Total</b>	1322.76	1129.70
B.	<b>Liabilities</b>		
	Equity	444.84	394.19
	Long Term Liabilities	778.87	639.27
	Current Liabilities and Provisions	99.05	96.24
	<b>Total</b>	1322.76	1129.70
C.	<b>Contingent Liabilities</b>	0.10	0.13
D.	<b>Capital Commitments</b>	228.89	330.86
E.	<b>Income</b>	157.92	154.68
F.	<b>Expenses( Including provision for taxes)</b>	114.19	102.30

33. 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 recognised. In the current year, there is no indication of impairment which requires re-estimating the recoverable amount of the assets.

34. Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹30612.06 crore (previous year ₹20952.14 crore).

35. No provision has been made for tax demands amounting to ₹102.57 crore (previous year ₹194.68 crore) and other demands (amount not ascertainable), for which appeals / litigation are pending, and the same have been shown as contingent liabilities

## NOTES ON ACCOUNTS (Contd...)

under schedule no 18.

36. 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 'Claims 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 - Contingent Liability, is dependent on the admittance of petition to be filed with CERC and in remaining cases no reimbursement is expected.
37. 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 31<sup>st</sup> March, 2011.
- b) No payment is due for more than 30 days as at 31<sup>st</sup> March, 2011 in respect of purchases / services made from small scale/ancillary industries.
38. a) **VALUE OF IMPORTS CALCULATED ON CIF BASIS :**

₹ in crore

	Current Year	Previous Year
i) Capital Goods	1820.36	470.50
ii) Spare Parts	2.95	1.76

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

₹ in crore

	Current Year	Previous Year
i) Professional and Consultancy fees	1.76	2.05
ii) Interest	153.19	207.66
iii) Others	9.36	26.38

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

₹ in crore

	%	Current Year	%	Previous Year
i) Imported	7.12%	2.85	1.77%	0.79
ii) Indigenous (Including fuel)	92.88%	36.49	98.23%	43.95

d) **EARNINGS IN FOREIGN EXCHANGE**

₹ in crore

	Current Year	Previous Year
Interest	0.01	0.00
Consultancy Fee	19.37	2.37

39. **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.	L40101DL1989GOI038121
State Code	55
Balance Sheet Date	31 <sup>st</sup> March 2011

ii) **CAPITAL RAISED DURING THE YEAR**

₹ in crore

Public Issue	420.88
Rights Issue	NIL
Private Placement, pursuant to a contract, for consideration other than cash (Issued to Govt. of India)	NIL
Bonus Issue	NIL

**NOTES ON ACCOUNTS (Contd...)****iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS**

₹ in crore

Total Liabilities	75733.16
Total Assets	75733.16

<b>Sources of funds</b>	
Paid up Capital	4629.73
Reserves and Surplus	16737.27
Secured Loans	36325.07
Unsecured Loans	4557.70
Advance against Depreciation	2176.07
Grants in Aid	171.31
Deferred Tax Liability	1146.74

<b>Application of Funds</b>	
Net Fixed Assets	37223.98
Capital Work-in-Progress (including Construction, Stores and Advances)	26624.59
Investments	1365.05
Net Current Assets	527.86
Miscellaneous Expenditure	2.41

**iv) PERFORMANCE OF COMPANY**

₹ in crore

Turnover/Income	8388.70
Other Income (including Transfer from Grants in Aid)	711.10
Total expenditure	5270.70
Profit before Tax	3829.10
Profit after MAT and Deferred tax	2696.89
Earning per share (Basic) (₹)	6.19
Dividend Amount	810.23

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

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

40. 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

**(R.T.Agarwal)**  
Executive Director (Finance)

**(V.M.Kaul)**  
Director (Personnel)

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

**As per our report of even date**

**For A.R. & Co.**  
Chartered Accountants  
Regn No.002744C

**For S R I Associates**  
Chartered Accountants  
Regn No.305109E

**For Umamaheswara Rao & Co.**  
Chartered Accountants  
Regn No. 004453S

**(Prabuddha Gupta)**  
Partner  
Membership No.400189

**(I. Pasha)**  
Partner  
Membership No.013280

**(A. Siva Prasad)**  
Partner  
Membership No.213675

Place : New Delhi.  
Dated : 24<sup>th</sup> May, 2011.



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

(₹ in crore)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	3824.73	2626.32
<b>Adjustment for :</b>		
Depreciation (including prior period)	2199.26	1978.73
Transfer from Grants in Aid	(27.51)	(26.53)
Adjustment against General Reserve	0.00	14.72
Deferred revenue - Advance against Depreciation	(37.56)	54.04
Transfer of LDC Development Fund to Subsidiary Company	(39.92)	0.00
Amortised Expenditure(DRE written off)	(0.71)	1.78
Provisions (Net of Provisions transferred to POSOCO-₹9.62 crore)	(10.56)	13.47
Transfer from Self Insurance Reserve	(2.21)	(0.34)
Net Loss on Disposal / Write off of Fixed Assets	6.98	3.83
Interest and Finance Charges	1659.74	1541.07
Provisions Written Back	(40.22)	(0.21)
FERV gain	(4.48)	(2.52)
Interest earned on bonds/Loans to State Govts.	(99.30)	(116.41)
Dividend received	(74.82)	(24.37)
<b>Operating profit before Working Capital Changes</b>	<b>7353.42</b>	<b>6063.58</b>
<b>Adjustment for :</b>		
(Increase)/Decrease in Trade and other Receivables	(911.39)	(841.99)
(Increase)/Decrease in Inventories	(36.71)	(47.32)
Increase/(Decrease) in Trade payables and other liabilities	(1252.68)	1527.68
(Increase)/Decrease in Other current assets	(64.96)	(24.01)
(Increase)/Decrease in Deferred Income/Expenditure from Foreign Currency	44.78	(439.41)
Fluctuation(Net)		
(Increase)/Decrease in Deferred Foreign Currency Fluctuation Asset/Liability(Net)	17.83	968.16
(Increase)/Decrease in Loans and Advances	1027.16	(357.68)
Deferred Revenue Expenditure	1.86	0.16
	<b>(1174.11)</b>	<b>785.59</b>
Direct taxes paid	(491.37)	(230.00)
<b>Net Cash from operating activities</b>	<b>5687.94</b>	<b>6619.17</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed assets (including incidental expenditure during construction)	(401.96)	(147.70)
Capital work in progress	(9685.15)	(6477.72)
Advances for capital expenditure	(3480.37)	(3427.24)
(Increase)/Decrease in Investments - Bonds and others	185.44	186.63
(Increase)/Decrease in investments -JVs and Subsidiaries	(97.23)	(47.06)
Loans & Advances to Subsidiaries	(89.35)	0.00
Lease receivables	63.47	111.45
Interest earned on bonds/Loans to State Govts.	99.30	116.41
Dividend received	74.82	24.37
<b>Net cash used in investing activities</b>	<b>(13331.03)</b>	<b>(9660.86)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Shares - Capital	420.89	0.00
Proceeds from issue of Shares - Premium	3300.29	0.00
Share Issue Expenses	(8.28)	0.00
Loans raised during the year - Long Term	8135.67	6848.77
Gross loans raised without FERV adjustment ₹8056.63 crore (previous year ₹8023.73 crore)		
Loans repaid during the year - Long Term	(1791.02)	(1392.72)
Loans raised during the year - Short Term	1450.00	1250.00
Loans repaid during the year - Short Term	(1250.00)	(750.00)
Interest and Finance Charges Paid	(1451.30)	(1474.68)
Dividend paid	(652.39)	(505.08)
Dividend Tax paid	(108.35)	(85.84)
<b>Net Cash from Financing Activities</b>	<b>8045.51</b>	<b>3890.45</b>
D. Net change in Cash and Cash equivalents(A+B+C)	402.42	848.76
E. Cash and Cash equivalents(Opening balance)	3277.64	2428.88
F. Cash and Cash equivalents(Closing balance)	<b>3680.06</b>	<b>3277.64</b>

Notes:

Cash and cash equivalents consist of cash in hand and balance with banks and it includes ₹1399.22 crore (previous year ₹2929.66 crore) not available

for use by the Company.

Previous year figures have been re-grouped / re-arranged wherever necessary.

For and on behalf of the Board

(Divya Tandon)  
Company Secretary

(R.T.Agarwal)  
Executive Director (Finance)

(V.M.Kaul)  
Director (Personnel)

(S. K. Chaturvedi)  
Chairman & Managing Director

As per our report of even date

For A.R. & Co.  
Chartered Accountants  
Regn No.002744C

For S R I Associates  
Chartered Accountants  
Regn No.305109E

For Umamaheswara Rao & Co.  
Chartered Accountants  
Regn No. 004453S

(Prabuddha Gupta)  
Partner  
Membership No.400189

(I. Pasha)  
Partner  
Membership No.013280

(A. Siva Prasad)  
Partner  
Membership No.213675

Place : New Delhi.  
Dated : 24<sup>th</sup> May, 2011.



## 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, 2011, 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. 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.
4. We draw attention to Note No. 14 (b), (c) and (d) of Schedule 28 – Notes on Accounts regarding provisional recognition of transmission charges.
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 31<sup>st</sup> March, 2011.
    - 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  
Firm Regn No.002744C

**(Prabuddha Gupta)**  
Partner  
Membership No.400189

**For S R I Associates**  
Chartered Accountants  
Firm Regn No.305109E

**( I. Pasha )**  
Partner  
Membership No.013280

**For Umamaheswara Rao & Co.**  
Chartered Accountants  
Firm Regn No. 004453S

**(A. Siva Prasad)**  
Partner  
Membership No.213675

Place : New Delhi.

Dated : 24<sup>th</sup> May, 2011.

## ANNEXURE TO THE AUDITORS' REPORT

### RE: POWER GRID CORPORATION OF INDIA LIMITED

### ANNEXURE REFERRED TO IN PARAGRAPH 3 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 except in the matter of closing of contracts.
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 31.3.2011 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 ₹0.07 crore and unclaimed dividend of ₹4.31 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 demands of income tax / sales tax / customs duty / wealth tax / service tax / excise duty / cess dues have not been deposited:

Particulars	Amount (₹ in crore)	Forum Where Pending
Entry Tax	0.01	Appellate Board, Commercial Tax Department, Madhya Pradesh
Entry Tax	12.44	Dy. Commissioner (Appeals), Commercial Tax Department, Madhya Pradesh
Entry tax	11.40	Joint Commissioner of Commercial Tax (Appeal), Patna
Sales Tax	18.15	Assistant Commissioner, Commercial Tax Department, Madhya Pradesh
Sales Tax	33.89	J&K State Sales Tax Appellate Tribunal

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

Sales Tax	16.09	Dy. Commissioner of Sales Tax (Appeal), Jammu, J&K State
Service Tax	1.57	Commissioner of Central Excise, Patna
Education Cess	0.82	Dehgam Nagar Palika, Dehgam
Diversion Tax (for non-agriculture use of land)	2.23	S D O, Itarsi
Income Tax (TDS) on perquisites	38.41	High Court, Kolkata
Income Tax & Interest	1.13	Commissioner of Income Tax ( Appeals), New Delhi.
Income Tax & Interest	4.84	Income Tax Appellate Tribunal, Delhi.

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 Powerlink 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. The Company has not issued the debentures during the year.
20. We have verified the end use of money raised by Follow-on Public Offer during the year as stated in the prospectus filed with SEBI, offer document and as disclosed in the note no. 17 of Notes on Accounts to the financial statements.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For A.R. & Co.**  
Chartered Accountants  
Firm Regn No.002744C

Sd/-  
**(Prabuddha Gupta)**  
Partner  
Membership No.400189

**For S R I Associates**  
Chartered Accountants  
Firm Regn No.305109E

Sd/-  
**( I. Pasha )**  
Partner  
Membership No.013280

**For Umamaheswara Rao & Co.**  
Chartered Accountants  
Firm Regn No. 004453S

Sd/-  
**(A. Siva Prasad)**  
Partner  
Membership No.213675

Place : New Delhi.  
Dated : 24<sup>th</sup> May, 2011.



पावरग्रिड



# Power System Operation Corporation Limited - Subsidiary Company

## Directors' Report

To,  
The Members,

I, on behalf of the Board of Directors, present the Second Directors' Report of Power System Operation Corporation Limited (POSOCO) together with the audited Statement of Accounts, Auditors' Report and Review of the Accounts by the Comptroller and Auditor General of India for the Financial Year 2010-11.

Your Company was registered on 20<sup>th</sup> March, 2009 and obtained the Certificate of Commencement of Business on 23<sup>rd</sup> March, 2010. Employees working in System Operation Dept., NLDC and the RLDCs were transferred from POWERGRID to POSOCO on secondment basis. Government of India vide gazette notification dated 27<sup>th</sup> September, 2010 notified that, Power System Operation Corporation Limited shall be operating NLDC & RLDCs with effect from 1<sup>st</sup> October, 2010.

Moveable Assets and Liabilities of the RLDCs and NLDC have been transferred from POWERGRID to POSOCO for a purchase consideration of ₹ 70.90 Crore as on 1<sup>st</sup> October, 2010.

### REVENUE STREAM of POSOCO

CERC notified 'Fee and Charges of Regional Load Despatch Centers and other Related Matters' Regulations on 18<sup>th</sup> September, 2009. The Regulations have ensured an independent revenue stream and financial autonomy for POSOCO. POSOCO being a knowledge base organization, human resource expenses have been segregated from other O&M charges and have been allowed separately. CERC has passed the orders on the Petitions filed by NLDC and RLDCs in Feb-March, 2011 for the control period 2009-14. Sixty two generators, forty one buyers (load) and seven inter state transmission licensees availing the services of the RLDCs and NLDC shall be paying the charges of the RLDCs and NLDC totaling to ₹ 934 Crores for the control period 2009-14.

### FINANCIAL RESULTS

₹ Crore

	<b>2010-11</b>
Turnover	116
Gross Margin	59
<b>Less:</b>	
Depreciation	31
PBIT	28
PBT	27
PAT	11
<b>APPROPRIATIONS</b>	
Proposed Final Dividend	3
Provision for Dividend Tax on proposed final dividend	1
Transfer to LDC Development fund	6

### OPERATIONAL HIGHLIGHTS

During the year there was generation capacity addition of 12160 MW with total all India installed capacity of 173626MW.

**Total Energy Met (All India basis)** in 2010-11 was **811 BUs** representing a 5% increase over last year which was 768 BUs.

**Peak Demand Met (All India basis)** in 2010-11 was 111 GW representing a 9.6 % increase over last year which was 100.35GW.

**Hydro Generation (All India)** was 123 BU in 2010-11. It increased by 7% ( 8.4 BU) over last year.

**Inter-Regional Exchange** was 56 BU in 2010-11 representing a 7.7 % increase as compared to FY 2009-10, which was 52 BU.

**UI billed** was ₹10146 Cr in FY 2010-11. There is a 21.8% decrease as compared to FY 2009-10, which was ₹ 12987 Cr.

**Frequency remained within the prescribed IEGC band of 49.5 Hz - 50.2Hz** for most of the period. For new grid it was 91 % of time within the band and for SR Grid it was 88 % of time within the band. This could be achieved due to tightening of the frequency band as per IEGC Regulation and UI Regulation notified by CERC, due to better generation availability, round the clock monitoring and close vigil by system operator.

Note: All the figures are provisional.

### OPERATIONAL FEEDBACK to CEA & CTU

NLDC Rules, 2005 specifies providing operational feedback for National Grid planning to CEA and CTU as one of the functions.

A quarterly feedback on operational constraints faced in Power System Operation is being furnished to CEA and CTU. A feedback by system operator on congestion being experienced and likely congestion in foreseeable future helps planners and policy makers to optimize development of Power System.

### **MoU for FY 2011-12**

POSOCO signed its maiden Memorandum of Understanding (MoU) with POWERGRID for the year 2011-12 as per the regulation of DPE on 25th March, 2011. The MoU includes various targets to be achieved by POSOCO during the FY 2011-12 including financial parameters, dynamic parameters and enterprise specific & efficiency parameters applicable to POSOCO. Keeping in view of the nature of operation of POSOCO, computation of the financial indicators (profit related ratios) and productivity related financial returns have not been taken as the index for evaluation of financial parameters. Instead, size related financial indicators - gross margin, gross sales and gross profit have been shown in targets. The MoU was signed by Sh. S.K. Chaturvedi, Chairman & Managing Director, POWERGRID and Sh. S. K. Soonee, Chief Executive Officer, POSOCO.

The targets set forth include implementation of web-based scheduling software, updating of operating procedures, restoration and black start procedures, settlement of large regulatory pool accounts and open access charges, capacity building of stakeholders and issuance of Renewable Energy Certificates etc.

### **DECLARATION of PAN INDIA TRANSFER CAPABILITY**

Measures to Relieve Congestion in Real Time Operation Regulations, 2009 (notified in December 2009) entrusts the RLDCs and NLDC with the responsibility of assessing transfer capability on various Inter-regional corridors for facilitating inter-state open access. A procedure for implementation of the above was prepared by NLDC and the RLDCs and was approved by the CERC. Monthly transfer capability along with its subsequent revisions is being assessed in a transparent manner. Information regarding this is being maintained on NLDC website and is available for all the stakeholders.

### **SHORT TERM OPEN ACCESS INCLUDING POWER EXCHANGES**

The total no. of transactions under Short Term Open Access during the year 2010-11 were 19883 and the total approved energy was 55.23 BUs. January, 2011 saw a record energy volume of 1428 MU transacted through the Power Exchanges. The total group of buyers & sellers who participated during this month was 1325. The highest volume 69.55MU traded on Power Exchanges in a single day was on 25<sup>th</sup> September, 2010.

### **INTRODUCTION of ANCILLARY SERVICES in INDIAN ELECTRICITY MARKET**

CERC (Unscheduled Interchange Charges and Related Matters) Regulations, 2009 directed NLDC/ RLDCs to identify Ancillary Services to ensure grid security and safety. In accordance with the above, an approach paper on 'Ancillary Services in Indian Context' was developed by NLDC and RLDCs and comments of the stakeholders were invited. After considering the comments of all the stakeholders and subsequent discussions, a petition for introduction of Frequency Support Ancillary Service (Identified for Immediate Implementation) was filed with the CERC in November 2010.

### **PARTICIPATION in REGULATORY REFORMS PROCESS**

A number of Regulations have been notified by the CERC, which include:-

- Fees and Charges of RLDCs and Other Related Matters Regulation, 2009
- Measures to Relieve Congestion in Real Time Operation Regulations, 2009
- Indian Electricity Grid Code, 2010
- Power Market Regulation, 2010
- Renewable Energy Certificate Mechanism, 2010
- Sharing of Interstate Transmission Charges and Losses, 2010
- Unscheduled Interchange Charges and related matters (Amendment) Regulations 2010
- Regulation of Power Supply Regulation, 2010

The RLDCs and NLDC have been giving feedback and inputs at various stages of formulation of the regulations pertaining to the design and operational aspects. All efforts are being made towards implementing these Regulations in letter and spirit.

### **LEVERAGING TECHNOLOGY: SYSTEM LOGISTICS**

Increased complexity of Power System has necessitated the need for synchronized measurements using wide area measurements (WAMS) technologies. Synchrophasor measurements are provided by PMU (Phasor measurement units) and enable us to understand the dynamic behavior of the Power System. First PMU pilot project has been implemented in Northern Region (NR), in which PMUs have been installed at selected eight substations of the northern regional grid and data from all these locations transferred to Northern Region Load Despatch Centre. It has helped in improving the Power System visualization and grid event analysis. It has also helped in understanding the power system transients. Similar pilot projects are also being implemented in

other regions.

POSOCO has signed an MoU with LD&C department of POWERGRID for replacement and up-gradation of existing SCADA/ EMS and associated IT Infrastructure at all RLDCs and NLDC.

### **IMPLEMENTING AGENCY for SHARING of INTERSTATE TRANSMISSION CHARGES & LOSSES REGULATION 2010**

The CERC Regulation on Sharing of Inter-State Transmission Charges and Losses was notified on 15<sup>th</sup> June, 2010. The new Transmission Pricing Mechanism is sensitive to distance, direction and quantum of flow as directed in the National Electricity Policy. NLDC has been designated as the Implementing Agency (IA) for the new Pricing Mechanism. Responsibilities of the IA included collection of all India Power System Data from the stakeholders, preparation and validation of network model and deriving the point of connection charges (PoC) results. Based on results submitted by the Implementing Agency, CERC has notified the slab rates for PoC Charges and Losses for the year 2011-2012 applicable from 1<sup>st</sup> July, 2011. As per the orders issued by CERC, new rates notified by CERC under the new Transmission Pricing Mechanism have also been implemented for the transactions under the short term open access.

### **RENEWABLE ENERGY CERTIFICATE (REC) MECHANISM**

REC is a market based instrument which will accelerate new investments in Renewable Energy Sector and introduce competition in purchase of renewable energy. Under this mechanism, the RE generator can now sell the electricity component locally at the price of conventional electricity and trade the environmental attribute in the form of REC separately. National Load Despatch Centre has been designated Central Agency under CERC's Regulatory Framework.

REC Mechanism was formally launched at Vigyan Bhawan, New Delhi on 18th November '10. The Launch included unveiling of an integrated web portal ([www.recregistryindia.in](http://www.recregistryindia.in)) which grants access to key stakeholders for operating the REC Mechanism.

As on 31<sup>st</sup> July, 2011, 174 RE Generators have been accredited, 103 RE generators have been registered and 90619 RECs have been issued till date. Four successful REC Trades have taken place so far and 54139 RECs have been redeemed.

### **PARTICIPATION at INTERNATIONAL FORUMS**

POSOCO participated in the CIGRE (International Council on Large Electrical Systems) 2010 Session held at Paris, France in August, 2010. A paper on "Experiences of Multiple Power Exchanges: A Case Study" was also presented during the session by the company.

A five day workshop of the TSO Comparison Group was held at New Delhi in Nov, 2010. The TSO Comparison Group is an International Group of Power System Operators. Its objective is to exchange information on the current and future operating practices for the purpose of benchmarking. Currently twenty two Transmission System Operators (TSOs) from across the world are members. The workshop was attended by thirty one participants from sixteen TSOs from across fourteen countries.

POSOCO participated in the annual Very Large Power Grid Operators (VLPGO) Steering Committee meeting at Madrid, Spain in October, 2010. VLPGO is a group of organizations from various countries across the world, operating power grids of size more than 50,000 MW. Twelve organizations across the globe are members of VLPGO. Participation at the international level in the VLPGO Working Groups, Workshops and Activities has benefited POSOCO by exchange of knowledge, new technology (such as Synchrophasors, Renewables, HVDC, Power System Restoration, Prevention of Blackouts, etc.) and best practices for Power System Operation.

A meeting of the SAARC Expert Group on Electricity was held at Udaipur in January 2011. The agenda for the meeting included consideration of the Road Map for SAARC Market for Electricity (SAME), consideration of the Work Plan in accordance with the TOR of the Expert Group, consideration/ review of revised draft Common Template on Common Aspects of Grid Inter-connection.

### **FORUM of LOAD DESPATCHERS**

FOLD (Forum of Load Despatchers) has been constituted by Forum of Regulators (FOR). NLDC has been designated as secretariat of FOLD. FOLD organized meetings to discuss various issues pertaining to system operation during the year which were attended by the Load despatchers at the state, regional and national level.

### **LEARNING and DEVELOPMENT ACTIVITIES**

An MoU was signed between Jamia Milia Islamia (JMI) and POWERGRID to create a unique Industry Academia association. As a first initiative, the load despatchers of POSOCO will be trained and certified in the state-of-the-art SCADA laboratory of JMI.

POSOCO has taken an initiative for Certification of System Operators by an independent agency as recommended in the report on 'Manpower, Certification and Incentives for System Operation and Ring fencing of Load Despatch Centres' issued by Ministry of Power. A training program has been specifically designed by POSOCO and National Power Training Institute to meet the requirements of Power System Operation. The system operators from National/Regional/State Load Despatch Centres are being



trained at NPTI. The first Certification Exam is likely to be held in Nov, 2011.

POSOCO regularly organizes learning and development programmes for capability enhancement of its employees and stakeholders.

### **EMPLOYEE ENGAGEMENT INITIATIVES**

The first ever Inter RLDC Cultural Meet and Handicraft Exhibition was organized in October, 2010. Eastern Regional Load Despatch Centre went on to win the POWERGRID Inter-Regional Cultural Meet held in November, 2010.

Other initiatives including in-house quizzes, picnics and celebration of National Festivals have been organized regularly throughout 2010-11.

### **MANAGEMENT DISCUSSIONS and ANALYSIS**

In addition to the issues in the Directors Report, some issues have been brought out in report on Management Discussion & Analysis placed at **Annex – I**.

### **AUDITORS**

Arun Singh & Co., Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the Company for the year 2010-2011.

### **AUDITORS' REPORT and COMPTROLLER & AUDITOR GENERAL'S COMMENTS**

The Statutory Auditors' Report to the shareholders does not contain any qualifications.

Office of Principal Director of Commercial Audit and Ex-officio Member, Audit Board-III, New Delhi vide letter dated 4<sup>th</sup> July, 2011 communicated that "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." Comments of the Comptroller & Auditor General of India are enclosed at **Annex-II**.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the requirements under Section 217(AA) 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, 2011 the applicable accounting standards had been followed;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss of the Company for the year under review;
- iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) That the Directors have prepared accounts for year ended 31st March, 2011 on a going concern basis.

### **PARTICULARS of EMPLOYEES - Sec 217 (2A)**

POSOCO mainly comprises the employees of all the 5 RLDCs, NLDC and POSOCO corporate centre of POWERGRID who have been deputed on secondment basis.

Presently POSOCO comprises of 451 employees with 256 executives and 195 non-executives spread across the five Regional Load Despatch Centers at Delhi, Kolkata, Mumbai, Bangalore & Shillong and National Load Despatch Center & POSOCO Corporate Center located at Delhi. The disclosure under Section 217(2A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended has not been made as there is no employee who is drawing remuneration as mentioned in the said rules.

### **CONSERVATION of ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO**

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are enclosed at **Annexure-III**.

### **CORPORATE GOVERNANCE**

A report on the Corporate Governance, forming part of this report, together with the Certificate thereon is given at **Annexure IV** of this Report.

### **POSOCO's BOARD**

During the year few changes took place in the Board of the Company. Consequent upon having demitted the office of Director



(Finance), POWERGRID, on account of superannuation, Shri J. Sridharan, resigned from the Directorship of Power System Operation Corporation Limited w.e.f. 30.04.2011 and Shri R.T. Agarwal (the then Executive Director (Finance), POWERGRID) was appointed as an Additional Director on the Board of Power System Operation Corporation Limited w.e.f. 16.05.2011.

Shri F.A. Vandrevalla, independent Director on the Board of POWERGRID, who had been nominated on the Board of Power System Operation Corporation Limited, by POWERGRID also tendered his resignation w.e.f. 10.07.2011 (F/N) upon the completion of his tenure in POWERGRID.

At present, Shri S. K. Chaturvedi, Shri R.N. Nayak and Shri R.T. Agarwal are on the Board of the Company.

### **ACKNOWLEDGEMENT**

The Board extends its sincere thanks to Ministry of Power, DPE, CEA, CERC, Regional Power Committee (s) and other stakeholders for extending their valuable support in operating the power system of the country, discharging the other functions assigned to POSOCO and above all POWERGRID for their patronage and direction.

For and on behalf of  
POWER SYSTEM OPERATION CORPORATION LIMITED

**(S.K. Chaturvedi)**  
Chairman

Date : 26.07.2011

Place: New Delhi

## Management Discussion and Analysis

### Formation of POSOCO

Ministry of Power vide its notification dated 27.9.2010 has notified that POSOCO shall operate the five RLDCs and the NLDC w.e.f. 1.10.2010. As per section 28 of the Electricity Act, 2003 RLDCs are Apex bodies to ensure integrated operation in the concerned region. NLDC has been designated as Apex body to ensure integrated operation of National Power System vide Ministry of Power notification dated 2.3.2005. The RLDCs and NLDC are performing tasks of national importance and discharging the statutory functions in a fair, transparent and neutral manner assigned under the Electricity Act, 2003 and NLDC Rules notified by Ministry of Power.

To ensure financial self reliance, RLDC Fee and Charges Regulation has been notified by CERC on 18.9.2010 which governs the revenue stream of POSOCO. The human resource expenses are one of the most important and a major component of the entire expenditure of POSOCO and have been allowed separately in the Regulation. The Regulation facilitates financial autonomy for POSOCO and makes it self sustaining with out any budgetary support.

Employees in POSOCO have been transferred from POWERGRID on secondment basis and HR policies are in line with POWERGRID.

POSOCO is a knowledge based organization. The assets of the RLDCs and NLDC primarily comprise of SCADA and IT systems for operation of the Regional grids and National grid.

### Power System Development Fund (PSDF)

CERC has notified the Power System Development Fund Regulations on 04.06.2010. The Power System Development Fund Regulations also provide for a managing committee comprising Head of NLDC, Head of RLDCs and other members as notified by CERC. The secretariat of this Fund is also managed by NLDC.

### Financial Discussion and Analysis

#### Fixed Assets:

Your Company's total fixed assets as on 31<sup>st</sup> March, 2011 after depreciation were ₹51.14 Crore. The fixed assets consist mainly of SCADA Hardware, Software and other equipments.

#### Loans and Advances

Your Company's total loans and advances as at 31<sup>st</sup> March, 2011 were ₹46.49 Crores. This includes loans to employees, others and advance tax amounting to ₹19 Crore.

#### Other Current Assets

Our other current assets as on 31<sup>st</sup> March, 2011 were ₹11.90 Crore being the accrued interest on flexi deposits with banks.

#### Sundry Debtors

Sundry Debtors amounting to ₹90.02 Crore consist mainly of receivables relating to fees & charges of the RLDCs and NLDC which were billed in the last week of March, 2011 after passing the orders by CERC in Feb-march, 2011.

#### Unsecured loan

Our company's unsecured loans were ₹89.35 crore comprising ₹40.31 Crore due to Power Grid Corporation Of India Ltd the Holding company on account of take over of loan liability in relation to the assets transferred and ₹49.04 crore being the loan taken from POWERGRID for working capital requirements.

#### Current liabilities

Your company's current liabilities as at 31<sup>st</sup> March, 2011 were ₹971.12 Crore comprising mainly on account of designated accounts operated and maintained in terms of CERC Regulations.

#### Contingent liability

The contingent liability of ₹99.84 lakh is the demand of rent for the office and staff quarters accommodation raised by the WRPC, Mumbai for the financial year 2010-11 which is disputed by the company and company has sought for the transfer of the ownership of office accommodation and residential quarters before the Ministry of Power.

For and on behalf of  
POWER SYSTEM OPERATION CORPORATION LIMITED

  
(S.K. Chaturvedi)  
Chairman

Date : 26.07.2011  
Place: New Delhi

## REPORT ON CORPORATE GOVERNANCE

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

### 1. 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. POSOCO believes that good governance should entail trusteeship, empowerment and accountability of the management while remaining proactive to the Government policies. POSOCO's Governance process is focused towards its following mission :

a 'mission critical activity' for uninterrupted, secure, reliable and quality power supply in the country

a 'relentless pursuit' for optimization of precious power generating resources and minimization of inherent system losses

a 'facilitator' for an efficient electricity market

a 'vehicle' for equitable and fair use of the transmission infrastructure in the country

a 'vital link' between the administrators, planners & regulators on one end and physical system on the other end.

The Board has also constituted an Audit Committee to have better and more focused attention on financial matters.

Management Discussion and Analysis is placed at Annex -I to Directors' Report.

The Company has complied with the conditions of the Corporate Governance and the disclosure requirements in that regard are given below:

### 2. Board of Directors:

#### 2.1 Size of the Board

POSOCO, being the wholly owned subsidiary Company of POWERGRID is a Government Company within the meaning of Section 617 of the Companies Act, 1956. As per Articles of Association, the composition of the Board of Directors shall be as determined by the Hon'ble President / Government of India from time to time.

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

#### 2.2 Composition of the Board

As on 31st March, 2011, 03 Directors on the Board of POWERGRID (the Holding Company of POSOCO), viz. Shri S.K. Chaturvedi, CMD, POWERGRID, Shri J. Sridharan, Director (Finance), POWERGRID and Shri R.N. Nayak, Director (Operations), POWERGRID and 01 independent Director of POWERGRID, viz. Shri F.A. Vandrevale (in accordance with Article 40(a)(v) of the Articles of Association) were on the Board of Power System Operation Corporation Ltd.

The equity shares of the Company are not listed

#### 2.3 Age Limit and Tenure of Directors

The age limit of the Chairman & and Directors other than Independent Director nominated by POWERGRID is 60 years.

The tenure of Directors as on 31<sup>st</sup> March, 2011 was as follows:

Name & Designation	Date of Joining on the Board*
Shri S. K. Chaturvedi, Chairman	20.03.2009
Shri J. Sridharan, Director	20.03.2009
Shri R.N. Nayak, Director	29.09.2009
Shri F.A. Vandrevale, Director	20.10.2010

\*The Directors on the Board of POWERGRID / Officials, who have been appointed as Directors in POSOCO shall cease to be on the Board of POSOCO on completion of their tenure / superannuation / withdrawal of nomination from POWERGRID.

#### 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. CEO, POSOCO is a special invitee to all Board Meetings.

During the financial year ended 31<sup>st</sup> March, 2011, five Board meetings were held on 25<sup>th</sup> May, 26<sup>th</sup> July, 6<sup>th</sup> August and 20<sup>th</sup> October of the year 2010 and 15<sup>th</sup> March, of the year 2011. The maximum interval between any two meetings during this period was 147 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 DPE Guidelines) held by them during the year 2010-11 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 23.09.10)	No. of Other Directorship held on 31.03.11	No. of Other Committee Membership held on 31.03.11	
					Chairman	Member
Non executive Directors						
Shri S. K. Chaturvedi Chairman	5	5	Yes	8	NIL	NIL
Shri J. Sridharan, Director (Finance)	5	5	Yes	2	NIL	1
Shri R.N. Nayak Director (Operations)	5	5	Yes	2	NIL	NIL
Shri F. A. Vandrevale #	2	2	N.A.#	1	1.	N.A.

# Shri F.A. Vandrevale, an independent Director on POWERGRID Board had been appointed as an Additional Director on the Board of POSOCO on 20.10.10. Earlier, on completion of his tenure as Independent Director of POWERGRID w.e.f. 10.07.10, Shri F.A. Vandrevale had tendered his resignation from the Directorship of the Company w.e.f. 10.07.10. The Audit Committee of POSOCO was formed in the Board Meeting held on 15.03.2011. Hence, the question of compliance of the Clause relating to presence of Chairman of Audit Committee at the AGM (held on 23.09.2010) does not arise.

### 2.5 Information to be placed the before 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:

- Annual operating plans and budgets and any updates.
- Annual Accounts, Directors' Report, etc.
- Quarterly results of the company.
- Minutes of meetings of Audit Committee.
- Disclosure of Interest by Directors about directorship and committee positions occupied by them in other Companies.
- Other materially important information.

### 3. Committee of the Board of Directors

POSOCO Board has constituted an Audit Committee in its meeting held on 15<sup>th</sup> March, 2011, comprising the following Directors as members:

Shri F.A. Vandrevale, Part-time Director – Member & Chairman

Shri J. Sridharan, Director – Member

Shri R.N. Nayak, Director – Member

The powers, role, functions, etc. of the Audit Committee are governed by the Companies Act and Government Guidelines. No meeting of the Audit Committee was held during the year ended on 31st March 2011.

### 4. Compliance Officer

The Company has nominated a Compliance Officer on 16th May, 2011 for implementation of Guidelines on Corporate Governance issued by Department of Public Enterprises.

### 5. Remuneration of Directors

In the Board meeting of the Company held on 15.03.2011, sitting fee of ₹10,000/- had been approved to be paid to the independent Director nominated on the Board of POSOCO by POWERGRID. Apart from this, no remuneration is paid to any other Director.

### 6. General Body Meetings:

POSOCO has been set up as a wholly owned subsidiary of POWERGRID in terms of Govt. Directives dt.04.07.2008 for system operations. The Company obtained the Certificate of Commencement of Business on 23.03.2010 and the First Annual General

Meeting of the Company was held on 23.09.2010.

Date, time and location of the above Annual General Meeting was as under:

Year	Date	Time	Venue	Special Resolution
2009-2010	23 <sup>rd</sup> September, 2010	4.30p.m.	1 <sup>st</sup> Floor, B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.	NIL

## 7. Disclosures

- (i) 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 of the Company has certified the financial statements to the Board.
- (iii) POSOCO do not have any material non listed Indian Subsidiary Company.
- (iv) There are no material individual transactions with related parties which are not in the normal course of business.
- (v) There are no material individual transactions with related parties or others, which are on an arm's length basis.
- (vi) 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.
- (vii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement for the financial year 2010-11 have been prepared as per the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

## 8. 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: <http://posoco.in>.

## 9. Code of Conduct

The Board of Directors of POWERGRID, the holding Company have laid down two separate Code of Business Conduct and Ethics – one for Board Members and another for Senior Management Personnel . The Senior management of POSOCO is on secondment basis from the holding company, i.e. POWERGRID. Hence, Code of Conduct applicable to POWERGRID is being followed.

## 10. Shareholders' Information

### i) Annual General Meeting

Date : 24<sup>th</sup> August, 2011  
 Time : 10.00 a.m  
 Venue : 1<sup>st</sup> Floor, B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi – 110 016.

### ii) Financial Year

The Company's Financial Year is from 1<sup>st</sup> April to 31<sup>st</sup> March.

### iii) Payment of dividend

The Board has recommended Dividend @10% for the Financial Year ended 31.03.2011, i.e. ₹ 3.06 crore.

### iv) 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.

### v) Location of POSOCO Plants

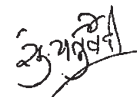
POSOCO has no plants.

### vi) Address for correspondence:

Power System Operation Corporation Limited,  
 1<sup>st</sup> Floor, B-9, Qutab Institutional Area,  
 Katwaria Sarai,  
 New Delhi – 110 016.

	Telephone No.	Fax No.
Registered Office	011-26536832, 26524522	011-26524525, 26536901
website	www.nldc.in	

For and on behalf of  
POWER SYSTEM OPERATION CORPORATION LIMITED



(S.K. Chaturvedi)  
Chairman

Date : 26.07.2011  
Place: New Delhi

### Non-Mandatory Requirements

1. **The Board:** The Company is headed by a non 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 POSOCO.
2. **Audit qualifications:** The financial statement for the year 2010-11 has no audit qualifications.
3. **Training of Board Members:** A presentation on the following matters was given to the Directors:
  - Presentation on POSOCO as a whole was provided to the Directors so as to give them an insight into the functioning of the Company.
  - Presentation on issues concerning POSOCO.



## Certificate on Corporate Governance

To  
The Members,  
Power System Operation Corporation Limited

I have examined the compliance of conditions of corporate governance by Power System Operation Corporation Limited, for the year ended on 31<sup>st</sup> March, 2011 as stipulated in the DPE Guidelines.

The compliance of conditions of corporate governance is the responsibility of the management. My 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 statement of the Company.

In my opinion and to the best of my information and according to the explanation given to me, I certify that that the Company has complied with the conditions of Corporate Governance except that the Audit Committee constituted on 15<sup>th</sup> March 2011 met on 16<sup>th</sup> May 2011 and the company nominated a Compliance Officer on the 16<sup>th</sup> May 2011 for implementation of the Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with the management has conducted the affairs of the Company.

(T.V. NARAYNASWAMY)  
COMPANY SECRETARY

Date : 25.07.2011  
Place: New Delhi



## Particulars required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

- A. Conservation of energy  
It has been the endeavor of POSOCO to make all out efforts for conservation of energy in all its RLDCs and NLDC. The energy conservation measures are taken by carrying out the energy audit and reduction in energy consumption.
- B. Research and development  
It has been the endeavor of POSOCO to pursue the use of latest technology for upgradation of the RLDCs and NLDC. First PMU pilot project has been implemented in Northern Region (NR) to understand the dynamic behaviour of the Power System. It has helped in improving the Power System visualization and grid event analysis. It has also helped in understanding the power system transients.
- C. Foreign exchange earning and outgo
- (₹ in crore)
- |  |      |
|--|------|
| Foreign exchange earning                               | NIL  |
| Foreign exchange outgo                                 |      |
| (i) Repair & maintenance of SCADA-EMS systems of RLDCs | 2.92 |
| (ii) Foreign training                                  | 0.01 |

For and on behalf of  
POWER SYSTEM OPERATION CORPORATION LIMITED

  
**(S.K. Chaturvedi)**  
 Chairman

Date : 26.07.2011  
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 POWER SYSTEM OPERATION CORPORATION LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2011**

The preparation of financial statements of Power System Operation Corporation Limited, New Delhi, for the year ended 31 March 2011 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 May 2011.

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 System Operation Corporation Limited, New Delhi, for the year ended 31 March 2011. 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 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/-

(M.K. Biswas)

**Principal Director of Commercial Audit &  
Ex-officio Member Audit Board - III,  
New Delhi**

**Place: New Delhi  
Dated: 04 July 2011**

## ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared under historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standards in India.

### 2. USE OF ESTIMATES

The preparation of the financial statements requires estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses during the reporting period. Although such estimates and assumptions are made on reasonable and prudent basis taking into account all available information, actual results could differ from these estimates and assumptions and such differences are recognized in the period in which the results are crystallized.

### 3. RESERVES AND SURPLUS

LDC Development fund is created in terms of Central Electricity Regulatory Commission (fees and charges of the Regional Load Despatch Centre and other related matters) Regulations 2009. In terms of 9(2) of the regulations, the charges on account of return on equity, interest on loan, depreciation and other income of the Regional Load Despatch Centres and NLDC such as registration fee, application fee, short term open access charges etc. shall be deposited to the LDC development fund. The funds shall be utilised for loan repayment, servicing the capital raised in the form of interest and dividend payment, meeting stipulated equity portion in asset creation and margin money for raising loan from financial institutions and funding R&D Projects. Any asset created out of the money deposited to the LDC development fund shall not be considered for computation of the return on equity and interest on loan.

### 4. GRANTS IN AID

4.1 Grants in aid received from Central Govt or other authorities towards capital expenditure for projects, betterment of system operation and specific depreciable assets are shown as "Grants-in-aid" till the utilisation of grant.

4.2 On capitalisation of related assets, grants received for specific depreciable assets are treated as deferred income and recognised in the profit and loss account over the useful period of life and in proportion to which depreciation on these assets is provided.

### 5. FIXED ASSETS

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

### 6. CAPITAL WORK IN PROGRESS

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

6.2 Interest during construction apportioned to capital work in progress (CWIP) on the closing balance of Specific asset or part of asset being capitalized. Balance, if any, left after such capitalization is kept as a separate item under the CWIP.

### 7. CONSTRUCTION STORES

Construction stores are valued at cost.

### 8. BORROWING COST

8.1 All the borrowed funds (except short term funds for working capital) are earmarked to specific projects. The borrowing costs (including, interest, and guarantee 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.

### 9. TRANSACTION IN FOREIGN CURRENCY

9.1 Transactions in foreign currencies are 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 on the date of the balance sheet.

9.2 FERV 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 transactions contracted on or after 1 april 2004 the same is charged to profit & loss account irrespective of whether the project is under construction or operation

9.3 FERV in respect of current asset is taken to revenue.

## 10. REVENUE RECOGNITION

System operation and Market operation charges comprising RLDC fees and charges are recognised on the basis of tariff approved by CERC. Human Resource and Operation and maintenance expenses component of tariff are restricted to the actual expenditure. Charges towards projected capital expenditure are restricted to charges based on actual capital expenditure.

Any excess in collection of System Operation and Market Operation charges over the revenue recognised is transferred to the liability to be adjusted on truing up exercise by the CERC after the expiry of the control period.

10.1 Income from Short Term Open Access (STOA) is accounted for on the basis of regulations notified by CERC. Income on account of operating charges, scheduling and system operation charges from Short Term Open Access (STOA) in terms of the Central Regulatory Electricity regulatory Commission (Open Access in Inter State transmission) Regulations 2008 is accounted for as and when the bilateral /collective transactions takes place.

10.2 Non refundable application money from the Short Term Open Access (STOA) is accounted as income on receipt of application along with the fees.

10.3 Transmission charges collected for the disbursement to STUs/CTUs/SEBs/LTOAs from the Short Term Open Access (STOA) are passed on to the respective STUs/CTUs/SEBs/LTOAs . The unpaid amount as at balance sheet date is depicted as liability.

10.4 Supervision Charges

Overhead charges on account of supervision of SCADA AMC are accounted on accrual basis

10.5 Registration fees

One time registration fees of new users and power exchanges is accounted for on accrual basis.

10.6 Liquidated damages/warranty claims and interest on advances to suppliers are accounted for on certainty.

10.7 Bank Interest earned on the fixed deposits lying in unscheduled Interchange Pool Account Fund, Congestion Charge Account, Reactive Energy Charges Account and Inter regional exchange account are credited directly to respective Fund accounts.

10.8 Surcharge is being accounted for when no significant uncertainty as to measurability and collectability exists.

## 11. DEPRECIATION

11.1 The depreciation has been provided on straight line method at the rates and methodology specified in the norms notified by CERC for the purpose of recovery of RLDC fees and charges. With effect from 01/04/2009 (effective date of CERC Regulations, 2009), useful life has been considered/worked out prospectively based on the unamortized balance of such asset on the basis of the rate of depreciation specified by the CERC.

Mobile Phones have been depreciated at 33.33%

11.2 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.

11.3 Assets costing ₹.5000 or less or where the written down value is less than ₹.5000 or less at the beginning of the year are charged to revenue.

## 12. EXPENDITURE

12.1 Pre-paid /prior period items up to ₹.100000/ are accounted to natural heads of accounts.

12.2 Expenditure of research and development, other than Capital Expenditure, are charged to revenue in the year of incurrence.

## 13. IMPAIRMENT OF ASSETS

Cash generating units as defined in AS-28 on "Impairment of Assets" are defined 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.

**14. EMPLOYEE BENEFITS**

- 14.1 The liability for retirement benefits of employees in respect of gratuity, which is ascertained annually on actuarial valuation at the year end is provided and funded separately.
- 14.2 The liability for compensated absence (both for earned & half pay leave), leave encashment, post retirement medical benefits & settling allowance to employees are ascertained annually on actuarial valuation at the year end and provided for.

**15. PROVISIONS AND CONTINGENT LIABILITIES**

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 recognised for liabilities whose future outcome cannot be ascertained with reasonable estimate. Such contingent liabilities are not recognised but are disclosed in the schedule of contingent liability on the basis of judgement of the management/ independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.

**16. INCOME TAXES**

Income taxes comprise current and deferred taxes. Current income taxes are measured at the amount expected to be paid to the income tax authorities in accordance with Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**17. EARNING PER SHARE**

Basic earning per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**18. CASH FLOW STATEMENT**

Cash flows are reported using indirect method, whereby profit before tax is adjusted for the effects transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated.

**19. INTANGIBLE ASSETS**

The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognized as an intangible assets in the books of accounts when the same is ready for use.



## Balance Sheet As At 31st March, 2011

		(₹ in crore)	
	Schedule No.	As at 31st March, 2011	As at 31st March, 2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Fund</b>			
Share Capital	01	30.64	0.05
Reserves and Surplus	02	<u>46.28</u>	<u>-</u>
		76.92	0.05
<b>Deferred Revenue</b>			
Grants in Aid	03		2.00
<b>Loan Funds</b>			
Unsecured Loans	04		89.35
<b>TOTAL</b>		<b><u>168.27</u></b>	<b><u>0.05</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	05	276.78	-
Less: Depreciation		<u>225.64</u>	<u>-</u>
Net Block		51.14	-
Capital Work-in-Progress	06	0.69	-
Construction Stores	07	<u>0.06</u>	<u>-</u>
			51.89
<b>Current Assets, Loans &amp; Advances</b>			
Sundry Debtors	08	90.02	-
Cash and Bank Balances	09	994.57	0.05
Other Current Assets	10	11.90	-
Loans and Advances	11	<u>46.49</u>	<u>-</u>
		1142.98	0.05
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	12	971.12	1.28
Provisions	13	<u>58.83</u>	<u>-</u>
		<u>1029.95</u>	<u>1.28</u>
<b>Net Current Assets</b>			113.03 (1.23)
<b>Deferred Tax asset</b>			3.35
<b>Profit &amp; Loss Account</b>			-
			1.28
<b>TOTAL</b>		<b><u>168.27</u></b>	<b><u>0.05</u></b>
Contingent Liabilities & Notes on Accounts	19		

Schedules 1 to 19 and Accounting Policies form an integral part of Accounts

**For and on behalf of the Board**

(S. K. Soonee)  
Chief Executive Officer

(R. T. Agarwal)  
Director

(S.K.Chaturvedi)  
Chairman

As per our report of even date  
**For Arun Singh & Co.**  
Firm Regn. No. 011863N

(Ravi Kapoor )  
Partner  
M.No.095214

Place : Gurgaon  
Dated: 16.05.2011

**Profit and Loss account for the year ended 31st March, 2011**

(₹ in crore)

	Schedule No.	For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>INCOME</b>			
Revenue from Operations	14	97.31	-
Other Income	15	18.40	-
<b>TOTAL</b>		<b>115.71</b>	<b>-</b>
<b>EXPENDITURE</b>			
Employees' Remuneration & Benefits	16	36.55	-
Operation, Maintenance and Other Administrative Expenses	17	20.51	1.28
Depreciation	05	30.92	-
Interest and Finance Charges	18	1.32	-
<b>TOTAL</b>		<b>89.30</b>	<b>1.28</b>
<b>Profit Before Tax</b>		<b>26.41</b>	<b>(1.28)</b>
Less: Provision for Taxation		18.55	-
<b>Profit after Current Tax</b>		<b>7.86</b>	<b>(1.28)</b>
Add: Provision for Deferred Tax		3.35	-
<b>Profit after Tax</b>		<b>11.21</b>	<b>(1.28)</b>
Add: Balance of Profit/Deficit brought forward		(1.28)	-
Total Amount Available for Appropriation		<b>9.93</b>	<b>(1.28)</b>
<b>Appropriation</b>			
Proposed Dividend		3.06	-
Provision for Corporate Dividend Tax		0.50	-
Transfer to LDC Development Fund (Refer para No. 5 of Schedule 19 Notes on Accounts)		6.37	-
<b>Balance of Profit/Deficit carried over to Balance Sheet</b>		<b>-</b>	<b>(1.28)</b>
<b>Earning per Share-Basic &amp; Diluted</b> [In ₹.per share]		<b>7.33</b>	<b>(256.04)</b>
Face value of ₹.10/- each			
Contingent Liabilities & Notes on Accounts	19		

Schedules 1 to 19 and Accounting Policies form an integral part of Accounts

**For and on behalf of the Board**

**(S. K. Soonee)**  
Chief Executive Officer

**(R. T. Agarwal)**  
Director

**(S.K.Chaturvedi)**  
Chairman  
As per our report of even date

**For Arun Singh & Co.**  
Chartered Accountants  
Firm Regn. No. 011863N

**(Ravi Kapoor)**  
Partner  
M.No.095214

Place : Gurgaon  
Dated: 16.05.2011

## Schedule 01 - Share Capital

(₹ in crore)

Description	As at 31st March, 2011	As at 31st March, 2010
<b>AUTHORISED</b>		
20,00,00,000 (Previous Year 20,00,00,000) Equity shares of ₹ 10/- each	200.00	200.00
<b>ISSUED SUBSCRIBED AND PAID-UP</b>		
3,06,40,000 equity shares(previous year 50,000) of ₹ 10/- each fully paid up.	30.64	0.05
Of the above		
3,05,90,000 (Previous Year NIL) equity shares of ₹. 10/- each have been allotted as fully paid-up shares, in pursuant of agreement to sell assets without consideration being received in cash		
3,06,40,000 (Previous Year 50,000) equity shares are held by Powergrid Corporation of India Ltd-holding company and its nominees.		
<b>TOTAL</b>	<b>30.64</b>	<b>0.05</b>

## Schedule 02 - Reserves & Surplus

(₹ in crore)

Description	As at 1st April, 2010	Additions During the year	Deductions/ Adjustments During the year	As at 31st March, 2011
LDC development Fund	-	46.28	-	46.28
	-	<b>46.28</b>	-	46.28
<b>TOTAL</b>	-			<b>46.28</b>

## Schedule 03 - Grants in aid (Deferred revenue)

(₹ in crore)

Description	As at 1st April, 2010	Additions During the year	Deductions/ Adjustments During the year	As at 31st March, 2011
Grants in aid	-	5.06	3.06	2.00
	-	5.06	3.06	2.00

## Schedule 04 - Unsecured Loans

(₹ in crore)

Description	As at 31st March, 2011	As at 31st March, 2010
Loan from Power Grid Corporation of India Ltd, Holding Company on account of take over of loan liability in relation to the assets transferred.	40.31	-
Other Loan from Power Grid Corporation of India Ltd-Holding Co.	49.04	-
<b>Total</b>	<b>89.35</b>	<b>-</b>
Due for repayment within one year	89.35	-



## Schedule 05 - Fixed Assets

(₹ in crore)

Description	Gross Block				Depreciation			Net Block	
	Addition of Assets taken over from POWER GRID as on 01 Oct.2010	Other Additions during the year	Adjustments during the year	As at 31st March, 2011	Accum. Depreciation of Assets taken over from POWER GRID as on 01 Oct.2010	Additions during the Year	Adjustments during the year	As at 31st March, 2011	As at 31st March, 2011
Civil works									
a) RLDCs	9.87	-	-	9.87	1.40	0.17	-	1.57	8.30
b) Township	0.05	-	-	0.05	0.01	-	-	0.01	0.04
Temporary Erection	0.10	0.01	-	0.11	0.09	-	-	0.09	0.02
Water Supply Drainage & Sewerage	0.03	-	-	0.03	-	-	-	-	0.03
Plant & Machinery									
a) RLDCs	2.36	0.14	-	2.50	0.61	0.06	-	0.67	1.83
b) ULDC	242.90	4.47	-	247.37	185.93	29.91	-	215.84	31.53
c) Communication	0.50	0.02	-	0.52	0.16	0.01	-	0.17	0.35
Construction and Workshop equipment	0.01	-	-	0.01	0.01	-	-	0.01	-
Electrical Installation	0.07	-	-	0.07	0.03	-	-	0.03	0.04
Vehicles	0.01	-	-	0.01	-	-	-	-	0.01
Furniture Fixtures & Office equipment	8.78	0.66	0.05	9.39	2.93	0.34	0.01	3.26	6.13
EDP/WP Machines	5.69	0.89	0.09	6.49	3.45	0.40	0.02	3.83	2.66
Intangible Assets	0.22	0.03	-	0.25	0.04	0.03	-	0.07	0.18
Miscellaneous Assets/ Equipment	0.11	-	-	0.11	0.09	-	-	0.09	0.02
<b>Total</b>	<b>270.70</b>	<b>6.22</b>	<b>0.14</b>	<b>276.78</b>	<b>194.75</b>	<b>30.92</b>	<b>0.03</b>	<b>225.64</b>	<b>51.14</b>
Previous Year	-	-	-	-	-	-	-	-	-
						<b>For the year ended 31st March, 2011</b>			
<b>Depreciation (Addition during the year)</b>						<b>30.92</b>			

## Schedule 06 - Capital Work In Progress

Description	(₹ in crore)				
	As at 1st April, 2010	Additions during the year	Adjustments	Capitalised during the year	As at 31st March, 2011
Civil Works					
Regional Load Despatch Centre & Office(Incl. civil work)	-	0.19	-	-	0.19
Plant & Machinery (including associated civil works)					
ULDC	-	0.48	-	-	0.48
Incidental Expenditure during Construction	-	0.02	-	-	0.02
<b>TOTAL</b>	<u>-</u>	<u>0.69</u>	<u>-</u>	<u>-</u>	<u>0.69</u>

## Schedule 07 - Construction Stores

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>Construction Stores</b> {Including Material in transit/pending issue to contractors and with contractors of ₹. 0.06 crore}	0.06	-
	<u>0.06</u>	<u>-</u>

## Schedule 08 - Sundry Debtors

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
Debts Outstanding for a period exceeding Six Months		
Considered Good	-	-
Considered Doubtful	-	-
Other Debts		
Considered Good	90.02	-
<b>Total</b>	<u>90.02</u>	<u>-</u>

(Debtors are unsecured except to the extent of ₹. NIL(Previous year NIL) including amount due from Power Grid Corporation of India Ltd a company under the same management ₹.3.60 crore. Maximum amount outstanding during the year ₹.7.86 crore.

## Schedule 09- Cash and Bank Balances

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
Cash, Stamps and Imprest	0.01	-
Balances with scheduled banks-		
- In Current Accounts/Flexi deposit Account	8.40	0.05
- In designated current accounts/Flexi-deposit accounts operated & maintained in terms of CERC regulations (Refer para no. 4 of the schedule 19 Notes on Accounts)	944.84	-
- In L.D.C.Development Account	41.32	-
<b>Total</b>	<u>994.57</u>	<u>0.05</u>

## Schedule 10 - Other Current Assets

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
Interest accrued on:		
Flexi deposits	11.90	-
	<u>11.90</u>	<u>-</u>

## Schedule 11 - Loans and Advances

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>a) Loans to</b>		
-Employees [ Including interest on employee loan of ₹ 3.06 crore (Previous Year NIL)]	7.40	-
<b>b) Advances</b>		
<b>Advances recoverable in cash or in kind or for value to be received</b>		
Contractors & Suppliers	1.14	-
Employees	3.18	-
Others	15.68	-
	<u>20.00</u>	<u>-</u>
Less: Provision for bad and doubtful Advances and Claims	0.05	-
	<u>19.95</u>	<u>-</u>
Deposits with various authorities	0.14	-
Advance Tax & TDS	19.00	-
	<u>39.09</u>	<u>-</u>
<b>TOTAL</b>	<b>46.49</b>	<b>-</b>
<b>Particulars of Loans and Advances</b>		
Secured	3.88	-
Unsecured Considered Good	42.61	-
Considered doubtful	0.05	-
	<u>46.54</u>	<u>-</u>
Less: Provision for Bad & Doubtful Claims	0.05	-
<b>TOTAL</b>	<b>46.49</b>	<b>-</b>
<b>Due from Directors &amp; Officers of the company</b>		
Directors	-	-
Officers	1.39	-
Directors Maximum Amount	-	-
Officers Maximum Amount	1.68	-

## Schedule 12 - Current Liabilities

Description	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
Sundry Creditors		
Other goods and services	3.40	1.28
	<u>3.40</u>	<u>-</u>
Advance from Customers	7.80	-
Liability on account of Truing up (Refer para No. 11 of Schedule 19 Notes on Accounts)	6.51	-
Deposits Retention money from contractors and others.	8.09	-
	<u>22.40</u>	<u>-</u>
Liabilities in respect of Designated accounts operated and maintained in terms of CERC Regulations (Refer Para no. 4 of the Schedule 19 Notes on accounts)	945.32	-
<b>Total</b>	<b>971.12</b>	<b>1.28</b>

## Schedule 13 - Provisions

	(₹ in crore)	
	As at 31st March, 2011	As at 31st March, 2010
<b>Taxation</b> (Including interest on Tax )		
As per last balance sheet	-	-
Additions during the year	18.55	-
Amount adjusted during the year	-	-
	<u>18.55</u>	<u>-</u>
<b>Employee Benefits</b>		
As per last balance sheet	-	-
Additions during the year	24.88	-
Amounts utilised/paid during the year	-	-
	<u>24.88</u>	<u>-</u>
<b>Special incentive &amp; PRP</b>		
As per last balance sheet	-	-
Addition during the year	8.76	-
Amount paid/adjusted during the year	-	-
	<u>8.76</u>	<u>-</u>
<b>Provision for Retirement benefit/Wage revision</b>		
As per last balance sheet	-	-
Additions during the year	3.08	-
Amounts utilised/paid during the year	-	-
	<u>3.08</u>	<u>-</u>
<b>Proposed Final Dividend</b>		
As per last balance sheet	-	-
Additions during the year	3.06	-
Amounts paid during the year	-	-
	<u>3.06</u>	<u>-</u>
<b>Dividend Tax</b>		
As per last balance sheet	-	-
Additions during the year	0.50	-
Amounts paid during the year	-	-
	<u>0.50</u>	<u>-</u>
<b>TOTAL</b>	<u>58.83</u>	<u>-</u>

## Schedule 14 - Revenue from Operations

	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Revenue from System and Market Operation	87.58	-
Short Term Open Access-Other Charges	9.73	-
	<u>97.31</u>	<u>-</u>

## Schedule 15 - Other Income

	(₹ in crore)	
Description	For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>Interest From</b>		
Indian Banks	4.70	-
Others	0.16	-
	<u>4.86</u>	<u>-</u>
Supervision Fees	1.39	-
Deferred Income (Transferred from Grants-in-aid)	3.06	-
FERV gain	0.01	-
Registration and STOA application Fee	8.48	-
Other Miscellaneous income	0.60	-
<b>TOTAL</b>	<u>18.40</u>	<u>-</u>

**Schedule 16 - Employees' Remuneration & Benefits**

Description	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Salaries, wages, allowances & benefits	28.11	-
Contribution to provident and other funds	4.53	-
Welfare expenses	3.91	-
	<u>36.55</u>	<u>-</u>

**Schedule 17 - Operation, Maintenance and Other Administrative Expenses**

Description	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Repair & Maintenance		
-Buildings	0.21	-
-RLDC,s	9.99	-
-Others	1.09	-
	<u>11.08</u>	<u>-</u>
Power charges	1.08	-
Expenses of Diesel Generating sets	0.02	-
Water charges	0.16	-
Training & Recruitment expenses	0.42	-
Legal expenses	0.05	-
Professional charges	0.12	-
Consultancy expenses	0.01	-
Communication expenses	0.41	-
Travelling & Conveyance Expenses	1.39	-
Foreign travel	0.10	-
	<u>1.49</u>	<u>-</u>
Remuneration to auditors (Including service Tax)		
Audit Fees	0.07	-
Tax Audit Fees	0.02	-
Lodging,boarding & travelling expenses	0.05	-
	<u>0.14</u>	<u>-</u>
Printing and stationery	0.09	-
Books,Periodicals and Journals	0.03	-
EDP hire and other charges	0.19	-
Entertainment expenses	0.06	-
Brokerage & Commission	0.01	-
Loss on disposal/write Off of Fixed assets	0.01	-
Security Expenses	1.00	-
Hiring of Vehicle	0.25	-
Rates and taxes	0.06	-
Bandwidth charges, Dark fibre lease charges (Telecom) etc	2.84	-
Peliminary expenses	-	1.28
Miscellaneous expenses	0.78	-
<b>TOTAL</b>	<u><b>20.51</b></u>	<u><b>1.28</b></u>

**Schedule 18 - Interest and Finance Charges**

Description	(₹ in crore)	
	For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>Interest on Loan from Holding Company</b>	0.97	-
FERV written off	0.09	-
<b>Finance Charges</b>		
Rebate to Customers	0.08	-
Guarantee fee	0.18	-
	<u>0.26</u>	<u>-</u>
<b>TOTAL</b>	<u><b>1.32</b></u>	<u><b>-</b></u>

## SCHEDULE 19 : NOTES ON ACCOUNTS

- 1) Nature Of Operations  
The company was incorporated on 20<sup>th</sup> march 2009 as a wholly owned subsidiary of the Powergrid Corporation of India Limited a Government of the India Enterprise to take over the business of the system operations and market operations, which were carried out by the holding company.
- 2) a) As per order of Ministry of Power, GOI, the moveable assets of RLDCs (System Operation Segment) have been transferred on purchase basis to the company from Powergrid Corporation of India Limited, holding company w.e.f. 01/10/2010. In terms of the agreement to sell assets, the purchase consideration has been worked out and settled as per details given below :-
- |  |          |          |              |                |
|--|----------|----------|--------------|----------------|
| Depreciated Value of moveable assets (Net block) | :        | ₹        | 75.95        | crores         |
| CWIP and Construction Stores & Advances          | :        | ₹        | 00.60        | crores         |
| Net Current Assets                               | :        | ₹        | 25.13        | crores         |
| Total  | :        | ₹        | 101.68       | crores         |
| Less : Grant in Aid                              | ₹        | 5.06     | crores       |                |
| LDC Development Fund                             | ₹        | 25.72    | crores       |                |
| Take over of the Loans                           | ₹        | 40.31    | crores       | ₹ 71.09 crores |
| <b>Net Amount payable</b>                        | <b>:</b> | <b>₹</b> | <b>30.59</b> | <b>crores</b>  |
- b) The company has allotted 3,05,90,000 fully paid equity shares of face value of ₹. 10/- each (Rupees ten only) amounting to ₹. 30.59 crore in favour of the Power grid Corporation of India Limited towards Purchase Consideration. Moveable assets previously owned by Regional Load Despatch Centres (NRLDC, SRLDC, WRLDC, NERLDC, ERLDC) and NLDC of the Power grid corporation of India have been purchased by the company on 01<sup>st</sup> Oct. 2010, at the net book value. The gross value of the assets as on 01/10/2010 amounting 270.70 Crores and the accumulated depreciation as on 01/10/2010 amounting to ₹. 194.75 Crores have been shown respectively as opening balances taken over in the schedule 4 Fixed Assets.
- c) Pending realisation of dues from the beneficiaries, the working capital needs are met by taking loan from the holding company and is shown as loan from Powergrid amounting to ₹.49.04 Crores(incl. net interest of ₹. 0.27 cr net of TDS of ₹. 0.06 cr). Expenditure on account of Interest,FERV,Employees benefits have been adjusted in the above amount of ₹.49.04 crores
- d) As per the memorandum of understanding consequent upon sale of moveable assets to POSOCO ,all operations and transactions (billing and banking) carried, on or after Oct 1 , 2010 by the RLDCs and NLDC, in the name of holding company are deemed to have been carried on behalf of POSOCO.
- 3) As per the CERC regulations applicable for the transmission business (as applicable to the Holding Company), deferred tax liability upto 31.03.2009 amounting to ₹.19.62 crores (on provisional basis) being the difference between the WDV as per the books and WDV as per the Income Tax is claimable from the beneficiaries whenever materializes. However, CERC regulation applicable for RLDC Fees and Charges does not contain any such provision. Deferred Tax Liability of ₹. 7.22 crores, materialised during the year has not been depicted as recoverable pending filing of petition with CERC. Petition shall be filed with CERC for claiming deferred tax liability (DTL) materialized. Considering that the petition for deferred Tax Liability (DTL) shall be admitted by CERC by the time balance DTL materializes, no provision there of has been made .
- 4) **Unscheduled Interchange Pool Account Fund(UI), Congestion Charge Account, Reactive Energy Charges Account(RE) Inter Regional Exchange Account(IRE) and STOA collection account.**  
The central Electricity regulation commission vide following regulations has directed the Regional Load dispatch centres in each region to operate and maintain unscheduled Interchange Pool Account Fund, Congestion Charge Account, Reactive Energy Charges Account.  
All payments on account of Unscheduled Interchange charges including Additional Unscheduled Interchange charges levied and interest, if any, received for late payment are credited to the funds called the “Regional Unscheduled Interchange Pool Account Fund”, maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity regulatory Commission (Unscheduled Interchange charges and related matters) Regulations, 2009.  
All payments on account of congestion charges and interest, if any, received for late payment are credited to the funds called the “Congestion Charge Account”, maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission (Measures to relieve congestion in real time operation) Regulations, 2009.

All payments on account of reactive energy pool account are credited to the funds called the “reactive energy account”, maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission.

These funds are equally matched with fund balance in the bank accounts in the current and fixed deposit accounts except for difference due to interest accrued and TDS on interest, which are funded on the receipt of the interest and TDS Certificates.

As on 31/03/2011, the total balance in these designated bank accounts were amounting to ₹. 944.84 Crores as against the liability in these funds amounting to ₹. 945.32 Crores. The net difference in the Liability and the designated bank accounts amounting to ₹.0.48 crores on account of the Interest accrued and TDS on interest is subject to reconciliation and consequential adjustments .if any.

#### 5) **LDC Development Fund**

Revenue during the year on account of Depreciation, Interest on Loan, Return on Equity amounting to ₹ 35.26 crore and other income amounting to ₹. 23.66 crore comprising mainly STOA and interest income is required to be deposited in LDC Development Fund in terms of CERC Regulation. The fund is to be utilised towards loan/interest repayment of ₹. 30.52 crore, income tax of ₹.15.20 crore, dividend of ₹ 3.06 Crore and dividend tax of ₹0.50 crore, resulting in net accretion of 9.64 crore to fund.

Transfer to fund has been restricted to ₹. 6.37 crores being the available profit for appropriation due to higher tax liability on account of materialisation of the deferred tax liabilities and under recoveries of O&M and HR Expenses. Balance amounting to ₹.3.27 crore shall be deposited on recovery of deferred tax liability from the beneficiaries(Also Refer para no 3 of the notes ) or recovery of O&M and Human Resource Resources expenditure at actual is allowed by CERC, whichever is earlier.

A sum of ₹. 41.32 crore is lying in the designated bank account against the LDC Fund of ₹ 46.28 crore. During the year contribution of ₹. 1.41 crores has been made in the fund account leaving a balance of ₹ 4.96 crore shall be deposited on realisation of dues.

Utilisation of the Fund for payment of the statutory dues for income tax including its methodology and any under recovery of the fees and charges is to be taken up with the CERC and necessary adjustments will be made on virtual certainty.

- 6) The CERC while giving approval under section (4) of the section 28 of the Electricity Act 2003 read with the CERC(Fees and charges of Regional Load despatch Centre and other related matters ) Regulations 2009 for the RLDCs charges has noted that at present the system operation is not subject to the service tax.
- 7) Pending reconciliation, materials amounting to ₹. 0.06 Crore (previous year ₹. Nil ) (included under Construction Stores – schedule 7) is shown as construction stores lying with contractors.
- 8) a) Balances in Loans and Advances, TDS Certificates Receivables/Recoverable, STOA Advance from customers, Material with contractors, Sundry Creditors, Advances from customers and Sundry Debtors are subject to reconciliation (in case of TDS & STOA advances) and 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.
- 9) Liabilities include ₹. 2.59 Crore (previous year ₹. Nil ) 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 by holding company as per Orders of the Hon'ble Calcutta High Court.
- 10) The company is providing for depreciation based on the CERC norms, which is in line with the tariff policy issued by the MOP for the block period 2009-14, which provides that the rates of depreciation as notified by CERC would be applicable for the purpose of tariff as well as accounting.  
Depreciation charge for the year is higher by ₹. 22.42 crore (previous year ₹. Nil) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.
- 11) Excess in collection of System Operation and Market Operation charges over the revenue recognised amounting to ₹. 6.51 crores is transferred to the liability to be adjusted on truing up exercise by the CERC after the expiry of the control period.  
Pre Incorporation expenses of ₹. 127.09 Lacs (previous year Nil) has been recognised as income of the year on approval of the tariff orders by CERC, though billing to beneficiaries is yet to be done.
- 12) Provision of ₹.3.08 Crores has been made for post retirement benefits of employees being the balance amount permissible under DPE guidelines for which scheme is yet to be finalised.
- 13) FERV loss of ₹.0.01 crore is recognised in the profit and loss account for the loans contracted after 1 April 2004.  
FERV gain of ₹.0.13 crores has been adjusted to the carrying cost of fixed assets.
- 14) Other income includes ₹ 3.06 Crores. Being the amount transferred from Grants-in-aid received in respect of NERLDC

- As per accounting policy no 4.1 and 4.2
- 15) The company is following AS-15 (revised 2005) 'Employee Benefits'.  
The information under this clause has been provided on estimated basis based on the actuarial valuation taken as a whole for employees of Powergrid Corporation of India Ltd. Including employees of POSOCO.
- All the employees of POSOCO are on secondment basis from its holding company Powergrid Corporation of India Ltd. Above employees shall continue to draw pay and allowances and other facilities as they have been drawing with the POWERGRID and shall be subject to rules and policies as applicable to them in POWERGRID before their transfer to POSOCO except incentives, which shall be protected through special allowance at the rate as would have been admissible as if they were continuing their service with POWERGRID.
  - Liability on account of the Leave encashment, Post Retirements medical plan, Baggage Allowance, Gratuity and superannuation liability is based on allocation of the total actuarial liability for the Power Grid Corporation of India Limited as a whole including the employees of the company on secondment basis as on 31/03/2011 reduced with the liability taken over as on 30/09/2010.
  - Liability on account of the PRP is based on allocation of estimated liability for the Power grid Corporation of the India Limited as a whole including employees of POSOCO, as on 31/03/2011 reduced with the liability taken over as on 30/09/2010.

Defined employee benefit schemes are as under:-

#### A. Provident Fund

Company pays fixed contribution to Provident Fund at predetermined rate to a separate trust managed by the holding company in the name of Power grid Employees Provident Fund 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 return 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 with a separate trust maintained by the holding company in the name of the Power grid Employees Gratuity fund Trust. 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 on superannuation, resignation, termination, disablement or on death subject to a maximum of ₹. 10 lacs. The scheme is funded by the company. The liability for the same is recognised on the basis of actuarial valuation on annual basis.

#### C. Post-Retirement Medical Facility (PRMF)

The company has Post-Retirement Medical Facility (PRMF), under which retired employees 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.

#### D. 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.

#### E. Other Employee Benefits

Provision for Leave encashment for the year amounting to ₹. 1.66 crore (previous year Nil) for the year upto 31<sup>st</sup> March 2011 has been made on the basis of actuarial valuation at the year end for the employees transferred on secondment basis to the company from Power grid corporation of India, holding company.

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

- Expenses recognised in profit and loss account

(₹ in crore)

	GRATUITY	PRMF	ODRB
	Current Year	Current Year	Current Year
Current Service Cost	0.47	0.22	0.01
Interest cost on benefit obligation	0.58	0.31	0.02
Expected return on plan assets	-0.61	-	-
Net actuarial (gain)/loss recognized in the year	2.28	1.58	-
Expenses recognized in the profit and loss a/c.	2.72	2.04	0.03



b) The amount recognized in the Balance Sheet:

(₹ in crore)

	<b>GRATUITY</b>	<b>PRMF</b>	<b>ODRB</b>
	<b>Current Year</b>	<b>Current Year</b>	<b>Current Year</b>
Present value of obligation as at 31/03/2011(i)	20.47	07.17	0.65
Fair value of plan assets as at 31/03/2011 (ii)(*)	20.47	-	-
Difference (i) – (ii)	-	-	-
Net liability recognized in the Balance Sheet	-	07.17	0.65

(\*) The fund is maintained with the Powergrid Employees Gratuity Fund Trust. Difference ,if any in the plan assets is shown in the Books of the holding company as a whole for employees of Powergrid Corporation of India Ltd. and employees of Power System Operation Corporation Ltd.

c) Weighted average rate of return on plan assets during the year is 8.79%(Previous Nil)

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

(₹ in crore)

	<b>GRATUITY</b>	<b>PRMF</b>	<b>ODRB</b>
	<b>Current Year</b>	<b>Current Year</b>	<b>Current Year</b>
Present value of obligation as at 01/10/2010	18.5	5.13	0.62
Interest cost	-0.03	0.31	0.02
Current Service Cost	0.47	0.22	0.01
Benefits paid	-0.75	-0.07	0
Net actuarial (gain)/loss on obligation	2.28	1.58	0
Present value of the defined benefit obligation as at 31/03/2011	20.47	7.17	0.65

#### F. Details of the Plan Asset (Gratuity)

The details of the plan assets at cost as on 31<sup>st</sup> March, 2011 are not given in view of that Fund is maintained with Powergrid Employees Gratuity Fund Trust as a whole for employees of Powergrid Corporation of India Ltd and employees of Power System Operation Corporation India Ltd. on secondment basis.

#### G. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

- Method used - Projected unit credit ( PUC)
- Discount rate - 8% (Previous Year Nil)
- Expected rate of return on assets (Gratuity only) – 8.50 % (Previous Year Nil)
- Future salary increase- 5.5% (Previous Year Nil)

The estimate of future salary increases, considered in actuarial valuation, takes into account (i) inflation, (ii) Seniority (iii) Promotion and (iv) Other relevant factors, such as supply and demand in the employment market.

#### 16) Segment Reporting

The company's principle business is power system and market operation and no other business segment exists other than this. The Company operates within India and does not have operations in economic environments with different risks and returns. Hence, it is considered operating in single geographical segment.

#### 17. Related Party Disclosures:-

##### a) Joint Ventures:-

- Powerlinks Transmission Limited
- Torrent Power Grid Limited
- Jaypee Powergrid Limited
- Parbati Koldam Transmission Company Ltd
- Teestavalley Power Transmission Limited
- North East Transmission Company Limited
- National High Power Test Laboratory Private Limited
- Energy efficiency Services Limited.

##### b) Holding Company:-

Power Grid Corporation India Limited

### c) Key Management Personnel

i)	Sh. S.K.Chaturvedi	Chairman
ii)	Sh. J.Sridharan	Director (Superannuated on 30.04.2011)
iii)	Sh. R.N. Nayak	Director
iv)	Sh. F.A.Vandervalva	Director (appointed w.e.f. 20.10.2010)

### d) Transactions with the holding company are as follows:

In addition to transactions disclosed at note no.2 , company has received system operation charges of ₹.7.67 crores and allowed a rebate of ₹. 0.11 crore. The company has also paid ₹.2.57 crores towards dark fiber lease charges.

### e) Director's sitting fee Rs. 10,000 only (Previous Year Rs. Nil) for independent director.

## 18. Disclosures regarding leases

### Operating leases:-

The company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices are usually renewable on mutually agreed terms but are not non-cancellable. Employees' remuneration and benefits include ₹. 1.59 crore (Previous Year ₹. Nil) towards lease payments, net of recoveries, in respect of premises for residential use of employees.

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

	As at 31.03.2011	As at 31.03.2010
<b>Numerator</b>		
Profit / (Loss) after tax as per Profit and Loss Account (Used as Numerator (₹. In crore)	11.21	(1.28)
<b>Denominator</b>		
Number of equity shares (Face value of ₹. 10/- each)	30640000	50000
Number of Shares allotted during the year	30590000	50000
Weighted Average number of equity shares for calculating Basic earning per share	15303096	50000
Weighted Average number of equity shares for calculating Diluted earning per share	15303096	50000
Basic earning per share (₹. / per share) (Face value of ₹. 10/- each)	7.33	(256.04)
Diluted earning per share (₹. / per share) (Face value of ₹. 10/- each)	7.33	(256.04)

20. During the year the company has provided ₹.3.35 crore (previous year ₹. Nil ) as deferred tax assets.

Major components of deferred tax assets are given as under:

(₹ in crore)

Particulars	As at 31.03.2011
Deferred Tax Liability (A)	-
Deferred Tax Asset	
Towards Fixed Assets (Net)	0.82
Pre Incorporation expenses	0.33
Employee Benefits-Leave Encashment, Incentive u/s 43B	2.20
<b>Sub Total (B)</b>	<b>3.35</b>
<b>Net Deferred Tax Assets (B-A)</b>	<b>3.35</b>

21) In accordance with AS-28 "Impairment of Assets", impairment analysis of assets of company by evaluation of its cash generating units, was not carried out. 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.

22) Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹. Nil crore (previous year ₹. Nil crore).

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

### Contingent Liabilities:

Demand of Rent for the office and staff quarters accommodation raised by the WREB, Mumbai for the Financial year 2010-11 is ₹.99.84 Lacs ,which is disputed by the company and company has sought for the transfer of the ownership of office accommodation and residential quarters before the Ministry of power.

- 24) 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 31<sup>st</sup> March, 2011.
- b) No payment is due for more than 30 days as at 31<sup>st</sup> March, 2011 in respect of purchases / services made from small scale/ancillary industries.

25. a) **VALUE OF IMPORTS CALCULATED ON CIF BASIS :**

(₹ in crore)

	Current Year	Previous Year
i) Capital Goods	-	-
ii) Spare Parts	-	-

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

(₹ in crore)

	Current Year	Previous Year
i) Repair & Maintenance	2.92	-
ii) Foreign Travel	0.01	-
iii) Others		

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

(₹ in crore)

	%	Current Year	%	Previous Year
i) Imported	-	-	-	-
ii) Indigenous (Including fuel)	100%	0.05	-	-

d) **EARNINGS IN FOREIGN EXCHANGE**

(₹ in crore)

	Current Year	Previous Year
Income	Nil	Nil

26. **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.	U40105DL2009GOI188682
State Code	055
Balance Sheet Date	31 <sup>st</sup> March 2011

**ii) CAPITAL RAISED DURING THE YEAR**

(₹ in crore)

Public Issue	NIL
Rights Issue	NIL
Private Placement, pursuant to a contract, for consideration other than cash (Issued to Powergrid Corporation of India-Holding Co.)	30.59
Bonus Issue	NIL

**iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS**

(₹ in crore)

Total Liabilities	1198.22
Total Assets	1198.22

Sources of funds	
Paid up Capital	30.64
Reserves and Surplus	46.28
Secured Loans	-
Unsecured Loans	89.35
Grants in Aid	2.00
Deferred Tax Liability	-

Application of Funds	
Net Fixed Assets	51.14
Capital Work-in-Progress (including Construction, Stores and Advances)	0.75
Investments	-
Net Current Assets	113.03
Deferred Fixed Assets	3.35

**iv) PERFORMANCE OF COMPANY**

(₹ in crore)

Turnover/Income	97.31
Other Income (including Transfer from Grants in Aid)	18.40
Total expenditure	89.30
Profit before Tax	26.41
Profit after Tax and Deferred tax	11.21
Earning per share (Basic) (₹.)	7.33
Dividend Amount	3.06

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

Item code no. : Not Applicable

Product Description : Operations of National Load Despatch centre(NLDC) and Regional Load Despatch Centres(RLDCs)

- 27.
- Figures have been rounded off to nearest rupees in Crore.
  - Previous year figures have been given, wherever available.
  - Previous year figures have been regrouped / rearranged wherever necessary.

**For and on behalf of the Board**

**(S. K. Soonee)**  
Chief Executive Officer

**(R. T. Agarwal)**  
Director

**(S.K.Chaturvedi)**  
Chairman

**For Arun Singh & Co.**  
Chartered Accountants  
Firm Regn. No. 011863N  
**(Ravi Kapoor)**  
Partner  
M.No.095214

Place : Gurgaon  
Dated: 16.05.2011

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011**

(₹ in crore)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit Before Tax	26.41	(1.28)
Adjustment for :		
Depreciation	30.92	-
Transfer from Grants in Aid	(3.06)	-
Net Loss on Disposal / Write off of Fixed Assets	0.01	-
Interest and Finance Charges	1.23	-
Un-realised FERV gain	(0.01)	-
FERV written off	0.09	-
<b>Operating profit before Working Capital Changes</b>	55.59	(1.28)
<b>Adjustment for :</b>		
(Increase)/Decrease in Trade and other Receivables	(90.02)	-
Increase/(Decrease) in Trade payables and other liabilities	(1055.94)	1.28
(Increase)/Decrease in Other current assets	29.09	-
(Increase)/Decrease in Loans and Advances	90.16	-
	(1026.71)	1.28
Contribution received for LDC Development Fund	14.19	-
Direct taxes paid	(19.00)	-
Net Cash from operating activities	(975.93)	-
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed assets	(6.26)	-
<b>Net cash used in investing activities</b>	(6.26)	-
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Shares	-	0.05
Loans raised during the year	49.04	-
Interest and Finance Charges Paid	(1.32)	-
<b>Net Cash from Financing Activities</b>	47.72	0.05
D. Net change in Cash and Cash equivalents(A+B+C)	(934.47)	0.05
E. Cash and Cash equivalents(Opening balance)	0.05	-
F. Cash and Cash equivalents taken over from the Holding Company	1928.99	-
G. Cash and Cash equivalents(Closing balance) (D+E+F)	994.57	0.05

## Note:

Cash and cash equivalents consist of cash in hand and balance with banks and includes ₹ 944.84 crore kept in designated bank accounts operated and maintained in terms of CERC Regulations.

The Company has taken over Fixed assets (including CWIP and Construction Stores) of ₹ 76.55 crore, Net Current Assets of ₹ 25.13 crore, Grant in Aid of ₹ 5.06 crore, LDC Development Fund of ₹ 25.72 crore and Loans of ₹ 40.31 crore. The Company has allotted equity shares of ₹30.59 crore to settle net purchase consideration. These transactions have not been reflected as there is no actual cash inflow / outflow.

**For and on behalf of the Board**

(S. K. Soonee)  
Chief Executive Officer

(R.T. Agarwal)  
Director

(S. K. Chaturvedi)  
Chairman

As per our report of even date

**For Arun Singh & Co.**  
Chartered Accountants  
Regn. No. 011863N

(Ravi Kapoor)  
Partner  
M.No. 095214

Place: Gurgaon.  
Date: 16th May, 2011.

## AUDITORS' REPORT

To,

**The Members,  
Power System Operation Corporation Limited,**

1. We have audited the attached Balance Sheet of Power System Operation Corporation Limited as at March 31, 2011, 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 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 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 Act, 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 there-under 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 19 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, 2011.
    - 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 Arun Singh & Co.**  
Chartered Accountants  
Regn. No. 011863N

**(Ravi Kapoor)**  
Partner  
M.No.095214

Place : Gurgaon  
Dated: 16.05.2011

## ANNEXURE TO THE AUDITORS' REPORT

### RE: POWER SYSTEM OPERATION CORPORATION 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. There was no inventory carried by the company. Therefore, clause 4(ii)(a),(b) and (c) of paragraph 4 of the Order is not applicable for the year.
3. a) The Company has not granted 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.
- b) The Company has taken unsecured Loans from Power grid corporation of India Limited, holding Company amounting to ₹89.35 crores as on 31/03/2011. In our opinion based on the information, prima facie, the rate of interest and other terms and conditions of loans taken by the company are not prejudicial to the interest of the Company. The principal amount and interest amount are yet to be paid pending realization of the RLDCs fees and Charges.
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 fixed assets and income from system operation and market operation. 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 not prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956.
9. a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues except some delays 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 31.3.2011 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.
- 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 (₹ In Crores)	Forum where pending
Income Tax (TDS) on perquisites	2.59 crores	High Court, Kolkatta

10. The company is registered for a period not less than five years. Therefore, clause 4(x) of paragraph 4 of the Order is not applicable for the 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
16. In our opinion on an overall basis and according to the information and explanation given to us, the company has not obtained any term loans 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 made allotment of 3,05,90,000 shares to Power Grid Corporation of India Limited, holding company in lieu of the net purchase consideration for the transfer of assets and liabilities at book value as per the order of the Ministry of the power,GOI .The shares have been issued at par and according to the information and explanation given to us, are not prejudicial to the interest of the company.
19. The Company has not issued the debentures during the year.
20. The Company, during the year, has not raised any money by public issue.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

**For Arun Singh & Co.**  
Chartered Accountants  
Regn. No. 011863N  
**(Ravi Kapoor)**  
Partner  
M.No.095214

Place : Gurgaon  
Dated: 16.05.2011





# CONSOLIDATED FINANCIAL STATEMENTS

## ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared on accrual basis of accounting under the historical cost convention and in accordance with generally accepted accounting principles and applicable Accounting Standards in India.

### 2. RESERVES AND SURPLUS

2.1 Self insurance reserve is created @ 0.1% p.a. on Gross Block of Fixed Assets (except valve halls of HVDC Bi-pole, HVDC equipments, SVC substations 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'.

2.2 LDC Development fund shall be created in respect of charges collected on account of return on equity, interest on load, depreciation and other income of the Regional Load Dispatch Centre and National Load Dispatch Centre such as registration fee, application fee, short-term open access charges etc. The funds shall be utilized for loan repayment, servicing the capital raised in the form of interest and dividend payment, meeting stipulated equity portion in asset creation and margin money for raising loan from the financial institutions and funding R&D projects.

2.3 In accordance with the scheme of earmarking 1% of net profits of the preceding financial year towards Corporate Social Responsibility (CSR), unutilized money during an year shall be credited to CSR reserves. Any expenditure above 1% of the preceding year shall be adjusted against such reserve.

### 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 capitalization 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 capitalization, 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 Insurance spares, other than mentioned in 4.9 below, which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalized and depreciated over the residual useful life of the related plant & machinery.

4.8 Mandatory spares, other than mentioned in 4.9 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 capitalized and depreciation is charged in accordance with the relevant accounting standard.

4.9 Items of Insurance / Mandatory spares, covered under 4.7 & 4.8 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 related expenses incurred for the projects are shown as CWIP till capitalization.

5.2 Expenditure of Corporate office, Regional Offices and Projects, attributable to construction of fixed assets are identified and allocated on a systematic basis to the cost of the related assets.

5.3 Interest during construction and expenditure (net) allocated to construction as per policy No. 5.2 above (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 capitalized. Balance, if any, left after such capitalization is kept as a separate item under the CWIP Schedule.

- 5.4 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors or technical assessment of work completed.
- 5.5 Unsettled liability for price variation/ exchange rate variation in case of contracts are accounted for on estimated basis as per terms of the contracts.
- 6. INTANGIBLE ASSETS**
- 6.1 The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognized as an intangible assets in the books of accounts when the same is ready for use.
- 6.2 Afforestation charges paid for acquiring right-of-way of laying transmission lines are accounted for as intangible assets and same are amortized over the useful life of related assets.
- 7. CONSTRUCTION STORES**
- 7.1 Construction stores are valued at cost.
- 8. BORROWING COST**
- 8.1 All the borrowed funds ( except short term funds for working capital) 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 transaction 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 1<sup>st</sup> April, 2004 or Date of Commercial Operation (DOCO) which ever is later.
- The above FERV to the extent recoverable or payable as per CERC norms is accounted for as follows:
- 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.
  - 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'
  - 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'
  - 'Deferred income/expenditure from foreign currency fluctuation a/c' is amortized in the proportion in which depreciation is charged on such FERV.
  - 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:
- Such FERV is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Profit & loss account'.
  - Depreciation component of transmission charges (being 90% of such FERV) is adjusted against Deferred foreign currency fluctuation asset/liability a/c'.
  - Balance 10% is adjusted against the transmission charges over the tenure of respective loan.
- 9.5 FERV in respect of current assets is taken to Profit & Loss a/c.

## **10. INVESTMENTS**

- 10.1 Current investments are valued at lower of cost and fair value determined on an individual investment basis.
- 10.2 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.
- 12.2 Expenditure, except the cost of equipment capitalized, incurred for activating the last mile connectivity of major telecom links are amortized over the period of agreement with the customer.

## **13. REVENUE RECOGNITION**

- 13.1.1 Transmission Income is accounted for based on tariff orders notified by CERC. In case of transmission projects where tariff orders 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 in respect of additional capital expenditure after the date of commercial operation is accounted based on actual expenditure incurred on year to year basis.
- 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**

- 13.1.4.1 Advance against depreciation (AAD), forming part of tariff pertaining upto the block period 2004-09, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.
- 13.1.4.2 The outstanding deferred income in respect of AAD is recognized as transmission income, after 12 years from the end of the financial year in which the asset was commissioned, to the extent of difference between charge of depreciation and recovery of depreciation as tariff component.
- 13.1.5 Surcharge recoverable from debtors and liquidated damages / warranty claims / interest on advances to suppliers are recognized when no significant uncertainty as to measurability and collectability exists.
- 13.1.6 Telecom income is accounted for on the basis of terms of agreements/ purchase orders from the customers.
- 13.1.7 Income from sole consultancy contracts are accounted for on technical assessment of progress of services rendered.
- 13.1.8 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
- 13.1.9 Application Fees received on account of LTOA Charges is accounted for as and when received in accordance with CERC Guidelines.
- 13.2.1 Scrap other than steel scrap & conductor scrap are accounted for as and when sold.
- 13.2.2 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 levellised 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.

## 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 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 other than assets transferred to Power System Operation Corporation Limited are depreciated @ 6.67% per annum as determined by CERC for levellized tariff.

15.1.3 Depreciation on assets transferred to Power System Operation Corporation Limited is provided on straight line method at the rates specified in the norms notified by CERC for the purpose of recovery of RLDC Fee and Charges.

15.1.4 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.

15.1.5 Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis from/up to the month in which the asset is available for use/disposal.

15.1.6 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, except for telecom assets where residual life is determined on the basis of rates of depreciation as specified in Schedule XIV of the Companies Act, 1956.

15.1.7 Plant and machinery, loose tools and items of scientific appliances, included under different heads of assets, costing ₹5000/- or less, or where the written down value is ₹5000/- or less as at the beginning of the year, are charged off to revenue.

15.1.8 Assets costing upto ₹5,000/- are fully depreciated in the year of acquisition.

15.2.1 Leasehold Land, other than acquired on perpetual lease, is depreciated over the tenure of the lease or 25 years whichever is lower in accordance with the rates and methodology specified in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009.

15.2.2 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 ₹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 Capital expenditure on assets not owned by the company is charged off to revenue as and when incurred

## 17. IMPAIRMENT OF ASSETS

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

## 18. EMPLOYEE BENEFITS

18.1 The liability for retirement benefits of employees in respect of Gratuity, which is ascertained annually on actuarial valuation at the year end, is provided and funded separately.

18.2 The liabilities for compensated absence (both for Earned & Half Pay Leave), leave encashment, 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

A provision is recognized 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 recognized 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.



पावरशिड

**Consolidated Balance Sheet As At 31st March, 2011**

(₹ in crore)

	Schedule No.		As at 31st March, 2011
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Fund</b>			
Share Capital	01	4629.73	
Reserves and Surplus	02	<u>16787.85</u>	<b>21417.58</b>
<b>Deferred Revenue</b>			
Advance Against Depreciation (AAD)	03	2224.45	
Grants in Aid	04	<u>173.31</u>	<b>2397.76</b>
<b>Loan Funds</b>			
Secured Loans	05A	37054.75	
Unsecured Loans	05B	<u>4557.70</u>	<b>41612.45</b>
<b>Deferred Tax liability(Net)</b>			
Less: Recoverable		<u>5162.62</u> <u>4018.48</u>	<b>1144.14</b>
<b>TOTAL</b>			<b>66571.93</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	06	51470.86	
Less: Depreciation		<u>13538.87</u>	
Net Block		37931.99	
Capital Work-in-Progress	07	13434.03	
Construction Stores and Advances	08	<u>13660.97</u>	<b>65026.99</b>
<b>Investments</b>			
	09		<b>951.66</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	10	382.35	
Sundry Debtors	11	3270.13	
Cash and Bank Balances	12	4805.87	
Other Current Assets	13	514.83	
Loans and Advances	14	<u>2719.54</u>	
			11692.72
<b>Less: Current Liabilities &amp; Provisions</b>			
Current Liabilities	15	8132.75	
Provisions	16	<u>2969.10</u>	
			11101.85
<b>Net Current Assets</b>			<b>590.87</b>
<b>Miscellaneous Expenditure (to the extent not written off or adjusted)</b>	17		<b>2.41</b>
<b>TOTAL</b>			<b>66571.93</b>
Contingent Liabilities	18		<b>4556.18</b>
Notes on accounts	28		
Schedules 1 to 28 and Accounting Policies form an integral part of Accounts			

**For and on behalf of the Board**(Divya Tandon)  
Company Secretary(R.T.Agarwal)  
Executive Director (Finance)(V.M.Kaul)  
Director (Personnel)(S. K. Chaturvedi)  
Chairman & Managing Director**As per our report of even date****For A.R. & Co.**  
Chartered Accountants  
Firm Regn No.002744C**(Pawan K. Goel)**  
Partner  
M.No.072209**For S R I Associates**  
Chartered Accountants  
Firm Regn No.305109E**(I Pasha )**  
Partner  
M.No. 013280**For Umamaheswara Rao & Co.**  
Chartered Accountants  
Firm Regn No. 004453S**(A Siva Prasad)**  
Partner  
M. No. 213675Place : New Delhi  
Dated : 24th May, 2011

## Consolidated Profit and Loss Account for the year ended 31st March, 2011

(₹ in crore)

	Schedule No.	For the year ended 31st March, 2011
<b>INCOME</b>		
Revenue from Operations	19	8611.76
Provisions written back	20	40.24
Other Income	21	621.61
<b>TOTAL</b>		<b>9273.61</b>
<b>EXPENDITURE</b>		
Employees' Remuneration & Benefits	22	785.68
Transmission Administration and Other Expenses	23	600.82
Depreciation	06	2272.92
Provisions	24	3.98
Interest and Finance Charges	25	1774.21
Deferred Revenue Expenditure written Off		2.34
<b>TOTAL</b>		<b>5439.95</b>
<b>Profit for the year before tax and Prior period Adjustments</b>		<b>3833.66</b>
Less: Prior Period Expenditure/(Income) (Net)	26	4.37
<b>Profit Before Tax</b>		<b>3829.29</b>
Less: Provision for Taxation- Current Year		712.23
- Earlier Years		4.59
		716.82
<b>Profit after Current Tax</b>		<b>3112.47</b>
Less: Provision for Deferred Tax- Total Deferred tax Liability		451.76
Less: Recoverable from beneficiaries for arrears of earlier years		11.20
		440.56
<b>Profit after Tax</b>		<b>2671.91</b>
Add: Balance of Profit brought forward		32.78
Add: Bond Redemption Reserve Written Back		255.81
Add: Withdrawal from STOA Reserve		141.25
Total Amount Available for Appropriation		<b>3101.75</b>
<b>Appropriation</b>		
Interim Dividend Paid		231.51
Corporate Dividend Tax Paid		43.78
Proposed Final Dividend		578.72
Provision for Corporate Dividend Tax		96.98
Transfer to Self Insurance Reserve		42.53
Transfer to Bonds Redemption Reserve		780.77
Transfer to STOA Reserve		141.25
Transfer to LDC development Reserve		21.53
Transfer to CSR Activities Reserve		4.83
Transfer to General Reserve		1141.11
<b>Balance of Profit carried over to Balance Sheet</b>		<b>18.73</b>
		<b>3101.75</b>
<b>Earning per Share-Basic &amp; Diluted</b> [In ₹ per share]		6.13
Face value of ₹10/- each		
<b>Incidental Expenditure During Construction</b>	27	
<b>Notes on Accounts</b>	28	
Schedules 1 to 28 and Accounting Policies form an integral part of Accounts		

### For and on behalf of the Board

(Divya Tandon)  
Company Secretary

(R.T. Agarwal)  
Executive Director (Finance)

(V.M. Kaul)  
Director (Personnel)

(S. K. Chaturvedi)  
Chairman & Managing Director

### As per our report of even date

**For A.R. & Co.**  
Chartered Accountants  
Firm Regn No. 002744C

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

**For S R I Associates**  
Chartered Accountants  
Firm Regn No. 305109E

(I Pasha)  
Partner  
M.No. 013280

**For Umamaheswara Rao & Co.**  
Chartered Accountants  
Firm Regn No. 004453S

(A Siva Prasad)  
Partner  
M. No. 213675

Place : New Delhi  
Dated : 24th May, 2011

## Schedule 01 - Share Capital

(₹ in crore)

Description	As at 31st March, 2011
<b>AUTHORISED</b>	
10,00,00,00,000 equity shares of ₹10/- each	<b>10000.00</b>
<b>ISSUED SUBSCRIBED AND PAID-UP</b>	
4,62,97,25,353 equity shares of ₹10/- each fully paid up. Of the above 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.	4629.73
<b>TOTAL</b>	<b>4629.73</b>

## Schedule 02 - Reserves and Surplus

(₹ in crore)

Description	As at 1st April, 2010	Additions During the year	Deductions/ Adjustments During the year	As at 31st March, 2011
Capital Reserve	0.74	-	0.04	0.70
Share Premium	1583.14	3300.29	8.28	4875.15
<b>Self Insurance Reserve</b>				
Through Appropriation of Profit	168.92	42.53	-	211.45
Through Charge to Profit & Loss account	68.41	-	2.21	66.20
STOA Reserve	-	141.25	141.25	-
LDC development Fund	16.44	29.84	-	46.28
CSR Activities Reserve	8.39	4.83	-	13.22
Bonds Redemption Reserve	2043.08	780.77	255.81	2568.04
General Reserve	7855.29	1141.11	8.32	8988.08
	<b>11744.41</b>	<b>5440.62</b>	<b>415.91</b>	<b>16769.12</b>
Balance in Profit & Loss Account	32.78			18.73
<b>TOTAL</b>	<b>11777.19</b>			<b>16787.85</b>

## Schedule 03 - Advance Against Depreciation (Deferred Revenue)

(₹ in crore)

Description	As at 1st April, 2010	Additions During the Year	Reversals/ Adjustments during the year	As at 31st March, 2011
Advance Against Depreciation	2262.01	0.96	38.52	2224.45
<b>TOTAL</b>	<b>2262.01</b>	<b>0.96</b>	<b>38.52</b>	<b>2224.45</b>

## Schedule 04 - Grants in Aid (Deferred Revenue)

(₹ in crore)

Description	As at 1st April, 2010	Additions During the year	Deductions/ Adjustments During the year	As at 31st March, 2011
Grants in aid	198.82		25.51	173.31
	<b>198.82</b>		<b>25.51</b>	<b>173.31</b>



**Schedule 05A- Secured loans**(₹ in crore)  
As at 31st  
March, 2011**Description****LOANS THROUGH BONDS****BONDS VI SERIES**

13% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹1000/-each redeemable at par in 10(ten) equal annual installments w.e.f 6th December, 2002. 10.00

Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Gandhar Stage-I Transmission System.

**BONDS VIII SERIES**

10.35% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹1000/-each redeemable at par in 10(Ten) equal annual instalments w.e.f. 27th April, 2005. 8.00

Secured by floating charge over the Fixed Assets of the Corporation.

**BONDS IX SERIES**

12.25% Taxable, Secured, Redeemable, Non-cummulative, Non- convertible Bonds of ₹1,00,000/- each redeemable at par in 10(Ten) equal annual instalments w.e.f. 22nd August, 2003. 115.30

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.

**BONDS X SERIES**

10.90% Taxable , Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹12 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 21.06.2004. 317.30

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.

**BONDS XI SERIES**

9.80% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹3 crore each consisting of 12 STRPPs of ₹25 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 07-12-2005. 271.50

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.

**BONDS XII SERIES**

9.70% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of ₹1.5 crore each consisting of 12 STRPPs of ₹12.50 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 28.03.2006. 92.25

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.

**BONDS XIII SERIES**

8.63% Taxable, Secured, Redeemable, Non-cumulative, Non- convertible Bonds of ₹1.5 crore each consisting of 12 STRPPs of ₹12.50 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f 31.07.2006. 472.50

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.



## Schedule 05A- Secured loans (Contd...)

(₹ in crore)  
As at 31st  
March,2011

### Description

#### **BONDS XIV SERIES**

6.10% Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of ₹1.5 crore each consisting of 12 STRPP's of ₹12.50 Lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 17.07.2004. 291.25

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 XV SERIES**

6.68% Taxable, Secured, Non-Cumulative, Non-convertible Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 Lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 23.02.2008. 600.00

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 ₹1.00 crore each consisting of 10 STRPP's of ₹10.00 lakh each redeemable at par in 10 (Ten) equal annual installments w.e.f. 18.02.2009. 525.00

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 ₹1.00 Crore each consisting of 10 STRPP's of ₹10.00 lakh each redeemable at par in 10 (ten) equal annual installments w.e.f 22.09.2009 800.00

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 ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12 (twelve) equal annual installments w.e.f 09.03.2010. 832.50

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 ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12 (twelve) equal annual installments w.e.f 24.07.2010. 453.75

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 XX SERIES**

8.93% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12 (twelve) equal annual installments w.e.f 07.09.2010. 1375.00

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 05A- Secured loans (Contd...)**(₹ in crore)  
As at 31st  
March,2011**Description****BONDS XXI SERIES**

8.73% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12 (Twelve) equal annual installments w.e.f. 11.10.2010. 467.50

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 XXII SERIES**

8.68% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 07.12.2010. 632.50

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 XXIII SERIES**

9.25% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 09.02.2011. 281.87

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 XXIV SERIES**

9.95% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 26.03.2011. 732.88

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 SERIES**

10.10% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹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 ₹1.50 crore each consisting of 12 STRPP's of ₹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 ₹1.50 crore each consisting of 12 STRPP's of ₹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.



पावरग्रिड

## Schedule 05A- Secured loans (Contd...)

(₹ in crore)  
As at 31st  
March, 2011

### Description

#### **BONDS XXVIII SERIES**

9.33% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹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.

#### **BONDS XXIX SERIES**

9.20% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 12.03.2013.

1297.50

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 XXX SERIES**

8.80% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 29.09.2013.

2332.50

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 XXXI SERIES**

8.90% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 25.02.2014.

2047.50

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 XXXII SERIES**

8.84% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹. 12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 29.03.2014.

1035.00

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 XXXIII SERIES**

8.64% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 08.07.2014.

2880.00

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 XXXIV SERIES**

8.84% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of ₹1.50 crore each consisting of 12 STRPP's of ₹12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 21.10.2014.

3487.50

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.

26528.10

**Schedule 05A- Secured loans (Contd...)**(₹ in crore)  
As at 31st  
March, 2011

Description		
<b>Term Loans from Banks/ Financial Institutions</b>		
Secured by a floating charge on the fixed assets of the Company		
Indian Overseas Bank	20.00	
Corporation Bank	25.00	
Punjab National Bank-Loan-I	40.00	
Punjab National Bank-Loan-II	125.00	
Oriental Bank of Commerce	104.17	
Life Insurance Corporation of India-II	300.88	
Life Insurance Corporation of India-III	23.07	
Infrastructure Development Finance Company Ltd	80.98	
International Finance Corporation	107.79	
State Bank of India	69.86	
PFC and Others	375.21	
		1271.96
<b>ICICI Bank Ltd.</b>		
Secured by first pari passu charge over the assets of the Company		
		30.00
<b>Bank of India, Cayman Islands</b>		
Secured by a Floating charge on the immovable properties of the company		
		285.66
<b>Loan from Asian Development Bank , Philippines</b>		
(Guaranteed by Govt. of India)		
<b>ADB-I</b>	514.28	
Secured by pari passu interest in the liens created on the assets as security for the debts.		
<b>ADB-II</b>	925.69	
Secured by pari passu interest in the liens created on the assets as security for the debts.		
<b>ADB-III</b>	1630.02	
Secured by pari passu interest in the liens created on the assets as security for the debts.		
		3069.99
<b>Loan from International Bank for Reconstruction and Development, USA (Guaranteed by Govt. of India)</b>		
<b>PSDP I</b>	292.97	
Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyachal and Rihand Transmission system.		
<b>PSDP-II</b>	1577.59	
Secured by pari passu interest in the liens created on the assets as security for the debts.		
<b>PSDP-III</b>	1792.02	
Secured by pari passu interest in the liens created on the assets as security for the debts.		
<b>PSDP-IV</b>	2206.46	
Secured by pari passu interest in the liens created on the assets as security for the debts.		
		5869.04
<b>Total Secured Loans</b>		<b>10526.65</b>
Due for repayment/redemption within one year		<b>37054.75</b>
		<b>1940.93</b>

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

Description	(₹ in crore)	
	As at 31st March, 2011	
<b>Loans in Indian Currency</b>		
<b>Short Term Loans from Banks</b>		
Bank of Baroda	500.00	
HDFC Bank Ltd.	400.00	
Union Bank of India	550.00	
		1450.00
<b>Term Loans</b>		
Power Finance Corporation Limited		15.00
		<b>1465.00</b>
<b>Loans in Foreign Currency</b>		
<b>From Foreign Banks &amp; Financial Institutions</b>		
<b>Loans Guaranteed by Govt of India</b>		
a. Natixis Banque (Formerly Credit National), France	112.56	
b. Japan International Cooperation Agency (Formerly Japan Bank for International Cooperation), Japan	159.81	
c. European Investment Bank, Luxembourg	55.77	
		328.14
<b>To be secured</b>		
(Pending creation of security by way of pari passu interest in the liens created on the assets as security for the debts)		
a) ADB-IV	692.01	
b) ADB-V	155.66	
c) PSDP-IV (Addl.)	1208.51	
d) PSDP-V	253.60	
		2309.78
<b>Others</b>		
Kreditanstalt fur Wiederaufbau, Germany	340.82	
Skandinaviska Enskilda Banken AB(publ), Sweden	113.96	
		454.78
		3092.70
		<b>3092.70</b>
<b>Total Unsecured Loans</b>		<b>4557.70</b>
Due for repayment/redemption within one year		<b>1650.63</b>

## Schedule 06 - Fixed Assets

(₹ in crore)

Description	Gross Block				Depreciation				Net Block	
	As at 1st April, 2010	Additions during the year	Adjustments during the year	As at 31st March, 2011	As at 1st April, 2010	Additions during the Year	Adjustments during the year	As at 31st March, 2011	As at 31st March, 2011	As at 31st March, 2010
Land										
a) Freehold	442.97	288.57	-13.01	<b>744.55</b>	-	-	-	-	<b>744.55</b>	442.97
b) Leasehold	94.23	6.14	-1.70	<b>102.07</b>	5.96	3.77	-2.34	<b>12.07</b>	<b>90.00</b>	88.27
Buildings										
a) Sub-Station & Office	452.51	20.64	10.38	<b>462.76</b>	119.28	16.09	1.57	<b>133.80</b>	<b>328.96</b>	333.23
b) Township	360.46	26.00	-0.84	<b>387.30</b>	59.99	11.87	0.21	<b>71.65</b>	<b>315.65</b>	300.47
Temporary Erection	8.01	0.70	0.10	<b>8.61</b>	7.18	0.69	-0.72	<b>8.59</b>	<b>0.02</b>	0.83
Roads & Bridges	112.73	4.81	-0.34	<b>117.88</b>	19.45	7.02	0.02	<b>26.45</b>	<b>91.43</b>	93.28
Water Supply Drainage & Sewerage	65.38	6.12	-0.04	<b>71.54</b>	14.93	2.79	-	<b>17.72</b>	<b>53.82</b>	50.45
Plant & Machinery										
a) Transmission Lines	27472.82	4537.60	-8.13	<b>32018.57</b>	5880.73	1447.63	14.47	<b>7313.88</b>	<b>24704.70</b>	21592.09
b) Substation	12708.64	2378.45	-23.61	<b>15110.70</b>	4365.98	610.93	9.20	<b>4967.71</b>	<b>10142.99</b>	8342.66
c) ULDC	964.72	7.89	243.16	<b>729.45</b>	502.40	83.93	185.93	<b>400.40</b>	<b>329.05</b>	462.32
d) Telecom links	918.28	72.12	-12.63	<b>1003.03</b>	300.33	57.97	-0.29	<b>358.59</b>	<b>644.44</b>	617.95
Constrn.and Workshop equipment	75.43	12.08	-0.05	<b>87.56</b>	16.80	3.93	0.01	<b>20.72</b>	<b>66.84</b>	58.63
Electrical Installation	66.81	4.90	-0.76	<b>72.47</b>	25.76	3.11	-	<b>28.87</b>	<b>43.60</b>	41.05
Vehicles	4.94	0.11	0.09	<b>4.96</b>	2.23	0.31	0.08	<b>2.47</b>	<b>2.49</b>	2.71
Furniture Fixtures & Office equipment	132.16	12.14	8.95	<b>135.35</b>	52.15	12.56	3.08	<b>61.63</b>	<b>73.73</b>	80.02
EDP/WP Machines	69.08	7.28	5.93	<b>70.42</b>	50.59	6.21	4.05	<b>52.75</b>	<b>17.67</b>	18.48
Miscellaneous Assets/ Equipments	67.22	2.96	-0.08	<b>70.26</b>	38.02	2.47	0.26	<b>40.23</b>	<b>30.02</b>	29.20
Capital Exp. on Assets not owned by the Company	16.19	0.11	7.87	<b>8.43</b>	12.60	0.02	4.19	<b>8.43</b>	-	3.59
Intangible Assets										
Afforestation Charges	231.90	38.01	-2.39	<b>272.30</b>	12.00	7.36	0.05	<b>19.31</b>	<b>252.99</b>	219.90
Softwares	1.77	1.26	-	<b>3.03</b>	1.12	1.19	-	<b>2.32</b>	<b>0.72</b>	0.65
Others	-	0.09	-	<b>0.09</b>	-	0.00	-	-	<b>0.09</b>	-
<b>Grand Total</b>	<b>44266.25</b>	<b>7427.98</b>	<b>212.90</b>	<b>51481.33</b>	<b>11487.50</b>	<b>2279.85</b>	<b>219.77</b>	<b>13547.58</b>	<b>37933.75</b>	<b>32778.75</b>

## Less: Provisions for assets discarded

10.47

51470.86

8.71

13538.87

1.76

37931.99For the year ended  
31st March, 2011Depreciation (Addition during the year) 2279.85Less: Transferred to Incidental Expenditure During Construction( Schedule 27-C ) 8.422271.43Add: Depreciation amortised due to FERV adjustment 1.49Charged to Profit & Loss Account 2272.92

## Schedule 07 - Capital Work In Progress

(₹ in crore)

Description	As at 1st April, 2010	Additions during the year	Adjustments during the year	Capitalised during the year	As at 31st March, 2011
Land					
Development of land	34.22	32.57	11.84	1.71	<b>53.24</b>
Buildings					
a) Sub-Stations & Office	36.84	42.21	1.15	18.08	<b>59.82</b>
b) Township	54.01	28.31	0.37	23.86	<b>58.09</b>
Temporary erection	0.57	-0.19	0.12	0.10	<b>0.16</b>
Roads & Bridges	8.37	7.38	0.07	4.69	<b>10.99</b>
Water Supply Drainage and Sewerage	6.42	3.68	0.22	4.07	<b>5.81</b>
Plant & Machinery (including associated civil works)					
a) Transmission Lines	6820.78	7170.90	-45.77	4498.63	<b>9538.82</b>
b) Sub-Station	2149.30	1905.64	17.92	2353.98	<b>1683.04</b>
c) ULDC	5.73	3.65	0.50	3.17	<b>5.71</b>
d) Telecom links	72.29	29.47	44.74	38.13	<b>18.89</b>
Furniture, Fixtures & Other office equipment	6.73	1.33	4.08	1.00	<b>2.98</b>
Electrical installations	12.26	5.40		3.53	<b>14.13</b>
Survey, Investigation, Consultancy & Supervision Charges	52.36	8.14	7.93	3.22	<b>49.35</b>
Difference in Exchange on foreign Loans	-0.02	11.26	15.00	-3.74	<b>-0.02</b>
Capital expenditure on assets not owned by Company	1.08	-0.03	1.05		
Incidental Expenditure during Construction	1194.34	1317.62	673.80	4.19	<b>1833.96</b>
Intangible Assets					
Afforestation Charges	52.07	84.96	-	37.98	<b>99.05</b>
<b>TOTAL</b>	<b>10507.35</b>	<b>10652.30</b>	<b>733.02</b>	<b>6992.60</b>	<b>13434.03</b>

## Schedule 08 - Construction Stores and Advances

(₹ in crore)

Description	As at 31st March, 2011
<b>Construction Stores</b> {Including Material in transit/pending issue to contractors and with contractors of ₹.10720.53 crore.}	
Towers	2627.20
Conductors	3450.79
Other Line Materials	1183.07
Sub-Station Equipments	3411.46
HVDC Equipments	50.11
ULDC Materials	19.84
Telecom Materials	0.40
Steel	0.54
Others	5.91
	<u>10749.32</u>
Less: Provision for Shortages and obsolete material	<u>0.01</u>
	10749.31
<b>Advances for Capital Expenditure</b>	
<b>Secured</b>	
Considered Good	1.07
<b>Unsecured</b>	
Considered Good	
a. Against Bank guarantees	2422.94
b. Others	487.65
Considered Doubtful	<u>1.18</u>
	<u>2911.77</u>
Less: Provision for Bad & Doubtful Advances	<u>1.18</u>
	<u>2910.59</u>
	<u>2911.66</u>
	<b>13660.97</b>



## Schedule 09 - Investments

(₹ in crore)

Description		As at 31st March, 2011
<b>LONG TERM</b>		
<b>A. TRADE INVESTMENTS</b>		
<b>I. Govt. Securities ( Unquoted ):-</b>		
<b>a) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of :</b>		
Andhra Pradesh	90.26	
Arunachal Pradesh	2.61	
Assam	83.90	
Bihar	81.07	
Gujarat	35.02	
Haryana	40.25	
Himachal Pradesh	1.42	
Jammu & Kashmir	80.99	
Kerala	12.06	
Madhya Pradesh	52.03	
Maharashtra	6.74	
Manipur	15.85	
Meghalaya	0.22	
Mizoram	0.01	
Nagaland	6.97	
Punjab	23.47	
Rajasthan	4.36	
Sikkim	5.63	
Tripura	0.45	
Uttar Pradesh	230.73	
Uttaranchal	25.63	
West Bengal	40.24	
Jharkhand	55.75	
		<b>895.66</b>
<b>b) Other Bonds:-</b>		
15 years 8.5% J&K Govt. Bonds 2017, Interest payable semi-annually, redeemable w.e.f 30.11.2007	15.00	
15 years 8.5% J&K Govt. Bonds 2018, Interest payable semi-annually, redeemable w.e.f 31.03.2008	18.81	
		<b>33.81</b>
<b>II. Equity Shares-Fully Paid up :-</b>		
<b>Quoted</b>		
<b>PTC India Ltd</b>		
120,00,006 Shares of ₹10/- each fully paid up. {Market Value ₹100.08 crore @ 83.40 (NSE) per share}	12.00	
		<b>12.00</b>
<b>TOTAL (A)</b>		<b>941.47</b>
<b>B. Non-trade investments ( Unquoted )</b>		
6500000 units of ₹10each in ICICI Prudential FMP series 54-1 year Plan A	3.18	
2624204679 units of ₹11.6461each in Birla Sunlife Short Term Fund	1.50	
5528789195 units of ₹12.6610 each in Templeton India ultra short Bond Fund	3.43	
5109666 Units of ₹15.66 each in Birla Sunlife Cash Plus	2.08	
		<b>10.19</b>
<b>TOTAL (B)</b>		<b>10.19</b>
<b>GRAND TOTAL (A+B)</b>		<b>951.66</b>

## Schedule 10 - Inventories

Description	(₹ in crore)	
	<b>As at 31st March, 2011</b>	
(Valuation as per Accounting policy No.11)		
Components, Spares & other spare parts		
i) Transmission Inventory		
Towers	96.34	
Conductors	22.03	
Other Line Materials	70.53	
ii) Sub-Station Equipments/Spares	91.89	
iii) HVDC Equipments/spares	41.13	
iv) ULDC Spares	2.69	
v) Telecom Spares	11.50	
vi) Other Stores	42.59	
Consumable stores	2.41	
Loose tools	1.50	
	382.61	
Less Provision for Shortages	0.26	
<b>TOTAL</b>		<b>382.35</b>

## Schedule 11 - Sundry Debtors

Description	(₹ in crore)	
	<b>As at 31st March, 2011</b>	
Debts Outstanding for a period exceeding Six Months		
Considered Good	18.60	
Considered Doubtful	78.05	
		96.65
Other Debts		
Considered Good		3251.53
		3348.18
Less: Provision for bad & doubtful debts		78.05*
<b>TOTAL</b>		<b>3270.13</b>

\* includes provision of ₹57.79 crore in respect of amount receivable from DESU.

## Schedule 12 - Cash and Bank Balances

Description	(₹ in crore)	
	<b>As at 31st March, 2011</b>	
Cash, Stamps and Imprest		0.06
Drafts/Cheques in Hand		1.43
Balances with scheduled banks-		
-In Current Accounts/Flexi deposit Account {Including ₹1399.22 crore lying in designated accounts meant for specific disbursal}		1579.61*
-In Term Deposits		3224.77
<b>TOTAL</b>		<b>4805.87</b>

\*Includes ₹4.31 crore on account of unclaimed Dividend

**Schedule 13 - Other Current Assets**

Description	(₹ in crore)	
	As at 31st March, 2011	
Interest accrued on:		
Investments (Bonds)	43.55	
Term/Fixed deposits	80.44	
		<b>123.99</b>
Deferred Income/Expenditure from Foreign Currency Fluctuation (Net)		<b>11.59</b>
Deferred Foreign Currency Fluctuation Asset/Liability (Net)		<b>328.97</b>
Others		<b>50.28</b>
		<b>514.83</b>
Less: Provisions for Doubtful FERV recoverable		
<b>TOTAL</b>		<b>514.83</b>

**Schedule 14 - Loans and Advances**

Description	(₹ in crore)	
	As at 31st March, 2011	
<b>a) Loans to</b>		
-Employees [ Including interest on employee loan of ₹56.77 crores]	144.27	
-Long Term Advances(Under securitisation scheme)	84.84	
-Others	0.89	
		230.00
<b>b) Lease Receivables(State sector ULDC)</b>		591.60
<b>c) Advances</b>		
<b>Advances recoverable in cash or in kind or for value to be received</b>		
Contractors & Suppliers	22.22	
(Including Material issued on loan)		
Employees	57.88	
Claims recoverable	19.72	
Others	116.87	
	216.69	
Less: Provision for bad and doubtful Advances and Claims	9.28	
	207.41	
Balance with Customs, Port Trust and other authorities	52.97	
Advance Tax & TDS	1637.56	
		1897.94
<b>TOTAL</b>		<b>2719.54</b>
<b>Particulars of Loans and Advances</b>		
Secured		77.69
Unsecured Considered Good		2641.85
Considered doubtful		9.28
		<b>2728.82</b>
Less: Provision for Bad & Doubtful Claims		9.28
<b>TOTAL</b>		<b>2719.54</b>
<b>Due from Directors &amp; Officers of the company</b>		
Directors		0.07
Officers		17.28
Directors Maximum Amount		0.10
Officers Maximum Amount		22.52

## Schedule 15 - Current Liabilities

		(₹ in crore)
Description		As at 31st March, 2011
<b>Sundry Creditors</b>		
For capital expenditure	1655.57	
Other goods and services	214.96	
		<b>1870.53</b>
Advance from Customers	2246.73	
Deposits Retention money from contractors and others.	1964.98	
<b>Less:</b> Investments held as security	2.05	
		<b>4209.66</b>
<b>Investor Education and Protection Fund</b>		
Un-paid (Un-claimed) matured bonds*		0.07
Unclaimed Dividend *		4.31
<b>Other Liabilities</b>		<b>1123.41</b>
<b>Interest Accrued But Not Due On Loans From</b>		
Indian Banks, Financial Institutions & Corporations	28.50	
Foreign Banks & Financial Institutions	30.09	
Secured/Unsecured redeemable Bonds	866.18	
		<b>924.77</b>
<b>Total</b>		<b>8132.75</b>

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

## Schedule 16 -Provisions

		(₹ in crore)
Description		As at 31st March, 2011
<b>Taxation (Including interest on Tax )</b>		
As per last balance sheet		1148.04
Additions during the year		699.39
Amount adjusted during the year		246.08
		<b>1601.35</b>
<b>Employee Benefits</b>		
As per last balance sheet		311.57
Additions during the year		177.52
Amounts utilised/paid during the year		119.23
		<b>369.86</b>
<b>Transmission incentive, special incentive &amp; PRP</b>		
As per last balance sheet		148.69
Addition during the year		141.55
Amount paid/adjusted during the year		90.77
		<b>199.47</b>
<b>Provision for Retirement benefit/Wage revision</b>		
As per last balance sheet		342.93
Additions during the year		3.58
Amounts utilised/paid during the year		278.69
		<b>67.82</b>
<b>Proposed Final Dividend</b>		
As per last balance sheet		420.88
Additions during the year		597.83
Amounts paid during the year		420.88
		<b>597.83</b>



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

Description	(₹ in crore)	
	As at 31st March, 2011	
<b>Downtime Service Credit-Telecom</b>		
As per last balance sheet		1.77
Additions during the year		0.69
		2.46
<b>Guarantee Fee to GOI</b>		
As per last balance sheet		16.28
Additions during the year		2.37
		18.65
<b>Dividend Tax</b>		
As per last balance sheet		69.90
Additions during the year		96.99
Amounts paid during the year		69.90
		98.99
<b>Expenses Payable</b>		
As per last balance sheet		-
Additions during the year		14.67
Amounts paid during the year		-
		14.67
<b>TOTAL</b>		2969.10

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

Description	(₹ in crore)			
	As at 1st April, 2010	Additions/ Adjustments during the year	Deductions during the year	As at 31st March, 2011
Deferred Revenue Expenditure	4.04	0.71	2.34	2.41
<b>TOTAL</b>	<b>4.04</b>	<b>0.71</b>	<b>2.34</b>	<b>2.41</b>

## Schedule 18 - Contingent Liabilities

Description	(₹ in crore)	
	As at 31st March, 2011	
Claims against the Company not acknowledged as debt in respect of		
Arbitration / Court Cases		2245.45
Land / Crop/Tree Compensation cases		917.03
Service Tax		-
Others		52.92
Disputed Tax Demands-Income Tax		5.97
Disputed Tax Demands-Service Tax		-
Disputed Tax Demands-Others		96.60
Continuity Bonds with Custom Authorities		1183.82
Others-Service Tax		-
Others		54.39
<b>Total</b>		<b>4556.18</b>

## Schedule 19 - Revenue from Operations

Description	(₹ in crore)
	<b>For the year ended 31st March, 2011</b>
Revenue from Transmission Charges (Refer Note No.13 and 14 of Schedule 28)	7879.00
Less: Advance Against Depreciation	0.96
	<u>7878.04</u>
Add: Revenue Recognised out of AAD	38.52
	<u>7916.56</u>
	<b>7916.56</b>
Income from Short Term Open Access	<b>221.24</b>
Consultancy, Project Management and Supervision Fees	<b>286.76</b>
Revenue from Telecom	
NLD	172.99
IP-1	16.84
ISP	1.06
	<u>190.89</u>
Less: Inter Divisional Transfer (Telecom)	
NLD	3.56
IP-1	-
ISP	0.13
	<u>3.69</u>
	<b>187.20</b>
<b>TOTAL</b>	<b><u>8611.76</u></b>

## Schedule 20 - Provisions written Back

Description	(₹ in crore)
	<b>For the year ended 31st March, 2011</b>
Doubtful debts-FBT	34.46
Capital work in Progress	2.70
Others	3.08
	<u>40.24</u>
<b>TOTAL</b>	<b><u>40.24</u></b>

## Schedule 21 - Other Income

Description	(₹ in crore)
	<b>For the year ended 31st March, 2011</b>
Dividend on Trade Investments	0.03
<b>Interest From</b>	
Govt. Securities	
8.5% Tax Free Bonds	87.65
Taxable Bonds	3.46
Loan to State Govt. in settlement of dues from Customers	8.20
Indian Banks [TDS ₹13.21 crore ]	203.83
Interest From advances to Contractors	75.33
Interest on differential between provisional and Final Tariff by CERC	118.68
Others	5.08
	<u>502.23</u>
Profit on sale of fixed assets	0.13
Deferred Income (Transferred from Grants-in-aid)	23.32

**Schedule 21 - Other Income (Contd...)**

		(₹ in crore)
Description		For the year ended 31st March, 2011
Short Term Open Access-Other Charges		22.86
Transfer from Insurance Reserve on A/c of Losses of Fixed Assets		2.21
Lease Income-State Sector ULDC		74.02
Surcharge		6.07
FERV gain	77.97	
Less: Payable to beneficiaries	-0.71	
		<u>78.68</u>
Miscellaneous income		77.30
		<u>786.85</u>
Less: Income transferred to incidental expenditure during construction-Sch 27 (E)		165.24
<b>TOTAL</b>		<u><b>621.61</b></u>

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

		(₹ in crore)
Description		For the year ended 31st March, 2011
Salaries, wages, allowances & benefits	841.73	
Contribution to provident and other funds	154.10	
Welfare expenses	90.27	
Less: Transferred to Incidental Expenditure during Construction-Schedule 27(A)		<u>1086.10</u>
<b>TOTAL</b>		<u><b>300.42</b></u>
		<u><b>785.68</b></u>

**Schedule 23 - Transmission, Administration and Other Expenses**

		(₹ in crore)
Description		For the year ended 31st March, 2011
Repair & Maintenance		
Buildings	17.95	
Plant & Machinery		
Sub Station	116.81	
Transmission lines	34.97	
Construction equipment	0.02	
Others	31.13	
		<u>182.93</u>
System & Market Operation charges		0.65
Power charges	72.73	
Less: Recovery from contractors	0.62	
		<u>72.11</u>
Expenses of Diesel Generating sets		3.43
Stores & spares consumed		0.05
Water charges		1.41
Right of Way charges(Telecom)		8.28
		<u>286.81</u>
Training & Recruitment expenses	22.85	
Less: Fees for training and application	1.08	
		<u>21.77</u>
Legal expenses		4.93
Professional charges		13.39
Consultancy expenses		2.97
Communication expenses		11.79
Travelling & Conveyance Expenses	70.82	
Foreign travel	7.90	
		<u>78.72</u>
Tender expenses	11.14	
Less: Sale of tenders	3.21	
		<u>7.93</u>

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

Description	(₹ in crore)	
	For the year ended 31st March, 2011	
Remuneration to auditors (Including service Tax)		
Audit Fees	0.46	
Tax Audit Fees	0.13	
Quarterly review Fees as per SEBI	0.27	
Annual review fees as per DOT	0.06*	
In Other Capacity	0.22	
Lodging,boarding & travelling expenses	0.63	
Reimbursement of service Tax	0.09	
* Including arrears of ealier year		1.86
Advertisement and publicity		12.67
Printing and stationery		6.16
Books,Periodicals and Journals		0.56
EDP hire and other charges		2.67
Entertainment expenses		1.66
Brokerage & Commission		0.21
Research & Development expenses		0.47
Cost Audit Fees		0.22
Rent		7.00
Miscellaneous expenses		31.38
Horticulture Expenses		4.75
Security Expenses		56.51
Hiring of Vehicle		50.13
Insurance		17.02
Rates and taxes		20.92
Bandwidth charges, Dark fibre lease charges (Telecom) etc		12.58
Expenditure on Corporate Social Responsibility		15.58
Bad debts/Advances W/f		2.38
Non operating expenses		0.26
Transit Accomodation Expenses	4.18	
Less : Recovery for usage	0.51	
		<b>3.67</b>
		<b>390.20</b>
		<b>677.01</b>
Less: Transferred to Incidental Expenditure during Construction-Sch. 27 (B)		<b>83.88</b>
		<b>593.13</b>
Loss on Disposal/Write off of Fixed Assets		<b>7.68</b>
<b>TOTAL</b>		<b>600.82</b>
Stores & spares consumption included in repair and maintenance		39.34

## Schedule 24 - Provisions

Description	(₹ in crore)	
	For the year ended 31st March, 2011	
GOI Guarantee Fee		2.37
Others		1.61
<b>TOTAL</b>		<b>3.98</b>



## Schedule 25 - Interest and Finance Charges

Description	(₹ in crore)	
	For the year ended 31st March, 2011	
<b>Interest on Loans from</b>		
Indian Banks, Financial Institutions & Corporations	199.70	
Foreign Banks and Financial Institutions	140.09	
Secured/Unsecured redeemable Bonds	2168.40	
Interest on Land/tree Compensation	-	
Interest u/s 234B & C	-	
Others	16.05	
		2524.24
Add: FERV as adjustment to borrowing cost	74.55	
Less: Transferred to Incidental Expenditure during Construction-FERV	0.27	
		74.28
		<b>2598.52</b>
<b>Finance Charges</b>		
Rebate to Customers		102.75
Commitment charges		4.53
Guarantee fee		120.52
Other finance charges		31.49
		<b>259.29</b>
		<b>2857.81</b>
Less: Transferred to Incidental Expenditure during Construction-Schedule 27 (D)		<b>1083.60</b>
<b>TOTAL</b>		<b>1774.21</b>

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

Description	(₹ in crore)	
	For the year ended 31st March, 2011	
<b>Income</b>		
Revenue from Telecom	-	
Depreciation written back	1.25	
FERV gain	-	
Grant in aid	2.19	
Others	4.79	
		<b>8.23</b>
<b>Expenditure</b>		
Power charges	0.02	
Rates and taxes	0.57	
Depreciation	1.12	
Depreciation amortised due to FERV	3.27	
Telecom Revenue written back	-	
Others	8.83	
		<b>13.81</b>
Prior period expenditure/(income) (Net)		<b>5.58</b>
Less: Transferred to Incidental Expenditure during Construction		<b>1.21</b>
<b>TOTAL</b>		<b>4.37</b>

## Schedule 27 - Incidental Expenditure During Construction

Description	(₹ in crore)	
	For the year ended 31st March, 2011	
<b>A. Employees Remuneration &amp; Benefits</b>		
Salaries, wages, allowances and benefits		241.67
Contribution to provident and other funds		38.24
Welfare expenses		20.51
<b>Total (A)</b>		<b>300.42</b>

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

Description	(₹ in crore)	
		For the year ended 31st March, 2011
<b>B.Other Expenses</b>		
Repairs and Maintenance		
Buildings	1.93	
Others	<u>1.14</u>	3.07
Power charges	3.03	
Less: Recovered from contractors	<u>0.37</u>	2.66
Expenses of Diesel Generating sets		0.35
Water charges		0.27
Training & recruitment Expenses		
Legal expenses		1.97
Professional charges		2.53
Consultancy expenses		2.35
Communication expenses		2.97
Travelling & Conv.exp. (Including Foreign Travel)		22.16
Tender expenses	6.42	
Less: Income from sale of tenders	<u>3.16</u>	3.26
Payment to Auditors		0.54
Advertisement and Publicity		0.60
Printing and stationery		0.49
Books,Periodicals and Journals		0.00
EDP hire and other charges		0.09
Entertainment expenses		0.15
Brokerage and commission		0.04
Rent		2.31
Miscellaneous expenses		15.76
Horticulture Expenses		0.24
Security Expenses		5.78
Hiring of Vehicles		14.76
Insurance		0.13
Rates and taxes		0.75
Bandwidth,Dark fibre, lease charges etc		
Transit Accomodation Expenses	0.67	
Less : Recovery for usage	<u>0.02</u>	0.65
Non Operation Expenses		<u>83.88</u>
<b>Total (B)</b>		<b>83.88</b>
Prior Period adjustment (net)		<u>1.21</u>
<b>Total(B1) (including prior period)</b>		<b>85.09</b>
<b>C.Depreciation</b>		<b>8.42</b>
<b>D. Interest and Finance Charges</b>		
<b>Interest on Loans from</b>		
Indian Banks,Financial Institutions and Corporations		
Foreign Banks and Financial Institutions		22.29
Secured/Unsecured Redeemable Bonds		994.77
Add/Less: ERV as adjustment to borrowing cost		<u>0.27</u>
		<b>1017.33</b>
<b>Finance Charges</b>		
Commitment charges		3.68
Guarantee fee		35.51
Other Finance Charges		<u>1.00</u>
<b>Total (D)</b>		<b>40.19</b>
<b>E. Less: Other Income</b>		<b>1057.52</b>
<b>Interest from</b>		
Indian banks		59.56
Interest From advances to Contractors		75.14
Others		<u>1.04</u>
Sub-Total		<b>135.74</b>
Miscellaneous income		<b>28.03</b>
Hire charges		<u>0.19</u>
<b>Total (E)</b>		<b>163.96</b>
<b>GRAND TOTAL (A+B1+C+D-E)</b>		<b>1287.49</b>

## SCHEDULE 28- NOTES ON ACCOUNTS

### 1. BASIS OF CONSOLIDATION

1.1. The consolidated financial statements relate to Power Grid Corporation of India Limited (the Company), its Subsidiaries and interest in Joint Venture Companies.

a) Basis of Accounting:

- i) The financial statements of the subsidiary companies and Joint Venture Companies in the consolidation are drawn up to the same reporting date as of the Company.
- ii) The consolidated financial statements have been prepared in accordance with Accounting Standard (AS) 21- 'Consolidated Financial Statements' and Accounting Standard (AS) -27 'Financial Reporting of Interest in Joint Venture of Companies (Accounting Standards) Rules, 2006 and generally accepted accounting principles. As per the transitional provisions of AS-21, comparative figures of previous year have not been presented.

b) Principles of Consolidation:

The consolidated financial statements have been prepared as per the following principles:-

- i) The financial statements of the company and its subsidiaries are combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions, unrealised profits or losses.
- ii) The consolidated financial statements include the interest of the company in joint ventures, which has been accounted for using its proportionate consolidation method of accounting and reporting whereby the company's share of each asset, liability, income and expense of a joint controlled entity is considered as a separate line item.
- iii) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements except as otherwise stated in the notes to the accounts.

c) Difference in Accounting Policy and Impact thereon

- i) Company has followed CERC rates for providing depreciation on assets however some Joint Venture Companies have followed rates provided in Schedule XIV of the Companies Act 1956. However impact of such change is not material.
- ii) Company has accounted for LD/ Warranty Claims and Interest on advances to supplies when no significant uncertainty as to measurability and collectability exists, whereas subsidiary company POSOCO has accounted for above items on certainty basis. However impact of such change is not material.

1.2 The Subsidiaries and Joint Venture Companies considered in the financial statements are as follows:-

Name of the Company	Proportion (%) of Share holding as on 31.03.2011
<b>Subsidiary Companies</b>	
Power System Operation Corporation Limited (POSOCO)	100%
Brynihat Transmission Company Limited*	-
<b>Joint Venture Companies</b>	
Powerlinks Transmission Limited	49%
Torrent Power Grid Limited	26%
Jaypee Power Grid Limited ***	26%
Parbati Koldam Transmission Company Limited	26%
Teestavalley Power Transmission Limited	26%
North East Transmission Company Limited	24.93%
National High Power Test Laboratory Private Limited ***	25%
Energy Efficiency Services Limited ***	25%
Powergrid IL&FS Transmission Private Limited**	-

\*Name of the subsidiary has been struck off from the Register and the company has been dissolved during the year.

\*\* Notice dated 16.03.2011 pursuant to section 560 (3) of the Companies Act 1956 issued by the Registrar of Companies to the effect that the name of the Company shall be struck off from the Register and the Company shall be dissolved at the expiry of three months unless cause is shown to the contrary.

\*\*\* Financial statements used for consolidation are unaudited.

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 in case 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 on 31st March 2011 and income and expenses for the year in respect of above joint venture entities based on their accounts are given below:-

		₹ in crore
		<b>31/03/2011</b>
A.	Assets	
	• Long Term Assets	1139.53
	• Investments	10.19
	• Current assets	171.24
	• Profit and Loss A/C	1.32
	• Misc Expenditure	0.48
	<b>Total</b>	<b>1322.76</b>
B.	Liabilities	
	• Equity	444.84
	• Long Term Liabilities	778.87
	• Current Liabilities and Provisions	99.05
	<b>Total</b>	<b>1322.76</b>
C.	Contingent Liabilities	0.10
D.	Capital Commitments	228.89
		Current Year
E.	Income	157.92
F.	Expenses( Including provision for taxes)	114.19

- 1.3 Consequent upon transfer of moveable assets on sale basis w.e.f. 01/10/2010, Power System Operation Corporation Limited, a 100% subsidiary has allotted ₹3,05,90,000 fully paid equity shares of face value of ₹10/- each (Rupees ten only) amounting to ₹30.59 crore.
- 1.4 The Company has made further investment of ₹19.50 crore in Jaypee Powergrid Limited, a Joint Venture Company in which 26% shares are held by POWERGRID and balance 74% shares held by Jaiprakash Power Ventures Limited.
- 1.5 The Company has made further investment of ₹18.10 crore in Parbati Koldam Transmission Company Limited, a Joint Venture Company in which 26% shares are held by POWERGRID and balance 74% shares held by Reliance Infra Limited.
- 1.6 The Company has made further investment of ₹20.32 crore in Teestavalley Power Transmission Limited, a Joint Venture Company in which 26% shares are held by POWERGRID and balance 74% shares held by Teesta Urja Limited.
- 1.7 The Company has made further investment of ₹7.05 crore in North East Transmission Company Limited, a Joint Venture Company in which 24.93% shares are held by POWERGRID and balance shares held by ONGC Tripura Power Grid Limited, Assam Electrical Generation Corporation Limited & Govt. of Tripura, Govt. of Mizoram & Govt. of Manipur equally.
- 1.8 The Company has made further investment of ₹1.75 crore in National High Power Test Laboratory Limited, a Joint Venture Company in which 25% shares are held by POWERGRID and balance shares held by NTPC Limited, NHPC Limited & Damodar Valley Corporation Limited equally.
2.
  - a) The company owns 5367 hectare of land amounting to ₹845.81 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 ₹22.91 crore and in certain other cases (value not ascertainable), the conveyancing of title to the freehold land and execution/registration of lease agreements in favour of the company is pending for completion of legal formalities.
  - c) Freehold land includes ₹33.71 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 ₹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.
3. Township buildings includes ₹7.27 crore for 28 flats at Mumbai, for which registration in favour of the company is pending.
4. Plant and machinery under substation in fixed assets (Schedule No 6) includes company's share of ₹3.80 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.
5. Cash equivalent of deemed export benefits availed of ₹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 ₹0.78 crore and de-capitalized in respective assets. The cumulative amount received and de-capitalized upto 31st March 2011 is ₹12.12 crore. The company continued to show the balance of ₹197.87 crore as at 31st March 2011 in capital cost of the respective assets / projects pending receipt of the same from Customs and Excise Authorities.

6. Pending reconciliation, materials amounting to ₹34.68 crore (included under stores – schedule 8) in commissioned lines is shown as construction stores lying with contractors.
7. The transmission systems situated in Jammu and Kashmir have been taken over by the Company w.e.f. 1st April, 1993 from National Hydroelectric Power Corporation Ltd. (NHPC) upon mutually agreed terms, pending completion of legal formalities.
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 has stayed the refund of Entry Tax collected by it. The Company capitalised ₹13.62 crore paid towards entry tax in earlier years. The same will be decapitalised upon final resolution of the issue.
9.
  - 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.
10. During the year, 400 KV Koldam -Nalagarh (D/C QUAD conductor) line along with 400 KV Line Bays at Nalagarh end have become ready for intended use of evacuation of power from Koldam Hydro Electric Project of National Thermal Power Corporation (NTPC) from 01.04.2010. Accordingly the asset was capitalized in accordance with the Accounting Policy No. 4.4 of the Company and net expenditure of ₹22.07 crore (including Dep of ₹9.66 crore) has been charged to Profit and loss Account.  
The generation unit of Koldam HEP is yet to be commissioned. Clause 3 (12) (c) of the CERC (Terms and Conditions of Tariff) Regulations 2009 applicable for the block period 2009-14 provides for approval of the Date of Commercial Operation (DOCO), prior to the element coming into regular service for evacuation of power. A petition has been filed by the Company before CERC for approval of DOCO w.e.f. 01/04/2010 and the corresponding transmission charges. Pending approval of DOCO and the transmission charges of the asset by CERC no revenue has been recognized during the year.
11. Cash and Bank Balances include ₹38.41 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. Information in respect of cost plus consultancy contracts, considering the same as consultancy business in view of Accounting Standard (AS)-7 (Revised 2002) "Construction Contracts".

(₹ in Crore)

Particulars		Year ended 31.03.2011
i)	The amount of revenue recognised on cost plus consultancy contract works	212.03
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
iii)	Cumulative amount of costs incurred on construction contracts	9510.18
iv)	Cumulative amount of advance received from customers	11078.81
v)	Amount of retention money with customers	49.58
vi)	Gross amount due from customers for contract works as an asset	15.38
vii)	Gross amount due to customers for contract works as a liability	1845.65

13. a) The company has been providing for depreciation at the rates notified for the purpose of recovery of tariff, by CERC. The issue of charging depreciation at rates different from the rates specified under Companies Act, 1956 has been referred by the Comptroller & Auditor General of India (C&AG) to the Ministry of Power (MOP) and the same is pending for disposal. However, MOP has issued 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 period 2009-14 which provides for specified depreciation rates in first 12 years and thereafter amortisation of residual value over the residual life. Accordingly, depreciation on the transmission assets for the year has been provided as per above rates and methodology.

- b) Depreciation charge for the year is lower by ₹42.40 crore as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.

#### 14. Effects due to changes in accounting policies during the year

- a) In view of an opinion of the expert advisory committee of the Institute of Chartered Accountants of India, capital expenditure on assets not owned by the company, which was hitherto amortized over a period of four years, is now charged off to revenue as and when incurred. The unamortized balance as on 01/04/2010 under Fixed Assets and CWIP Schedule has been written off as prior period expenditure. This has resulted in decrease in profit by ₹3.56 crore (including prior period impact of ₹4.22 crore) with corresponding decrease in CWIP/Fixed Asset. The matter has been referred to EAC for reconsideration.
- b) Leasehold land, which was hitherto depreciated over the tenure of the lease, is now depreciated in 25 years or tenure of the lease whichever is less in accordance with the rate and methodology specified in CERC (Terms & Conditions of Tariff) Regulations, 2009 with retrospective effect from 01/04/2009. This has resulted in decrease in profit by ₹ 5.14 Crore (including prior period impact of ₹2.10 Crore).
- c) Liabilities for price variation/ exchange rate variation in case of contracts which were hitherto accounted for on acceptance/receipt of claims are now being accounted for on estimated basis as per terms of the contracts. The above change has resulted in increase in liability by ₹191.26 Crore with corresponding decrease in CWIP/Fixed Assets. The above has also resulted in decrease in Profit by ₹10.49 crore.
- d) Liquidated damages / warranty claims which were hitherto being accounted for on certainty are now recognized when no significant uncertainty as to measurability and collectability exists. The above has resulted in Decrease in liability by ₹59.70 crore with corresponding decrease in CWIP/Fixed Assets. The above has also resulted in decrease in Profit by ₹2.98 Crore.
- e) The expenditure on Corporate Social Responsibility (CSR) which was, hitherto, incurred / appropriated out of profit to the extent of 0.75% of net profit of the preceding financial year, is now being incurred / appropriated to the extent of 1.00%. This has resulted in additional expenditure/appropriation of ₹5.10 crore for the year.
- f) Surcharge, which was, hitherto, accounted for on receipt / certainty of receipt, is now being accounted for when no significant uncertainty as to measurability and collectability exists. The above change has resulted in increase in profit due to accounting of additional surcharge of ₹5.14 crore for the year.

#### 15. In accordance with the CERC Tariff Regulations 2009

- a) The Company has billed and recognized transmission income as approved by CERC for the block period 2009-14.
- b) Where tariff has not been approved under block period 2009-14, in respect of assets commissioned upto 31.03.2009, the Company has billed transmission charges as approved by CERC for the block period 2004-09 as applicable as on 31.03.2009 and recognized revenue as per norms for the block period 2009-14.
- c) Where tariff has not been approved by CERC under block period 2009-14 in respect of assets commissioned after 01/04/2009, the Company has recognized revenue of ₹1207.39 crore based on Tariff Norms 2009-14 and the same is yet to be billed as the CERC regulations does not provide for the same. However, petitions for these assets have been filed.
- d) Pending certification of monthly transmission system availability by the Regional Power Committee (RPC) of some of the regions, transmission incentive of ₹16.14 Crore has been recognized provisionally based on latest month's availability.
- e) CERC Tariff Regulations 2009 for block period 2009-14 provide that tariff for additional capital expenditure incurred after the date of commercial operation shall be allowed based on the projected expenditure. In view of the above, Transmission income on account of additional capitalization, which was hitherto accounted for on the basis of specific order by the CERC, is now being accounted for on accrual basis based on actual expenditure incurred from year to year after date of commercial operation. This has resulted in increase in transmission income amounting to ₹57.17 crore (including ₹17.47 crore for financial year 2009-10).
- f) Transmission income of ₹172.79 crore (previous year ₹180.77 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.
- g) The company has allowed to State Power Utilities additional rebate against payment received through cheques and RTGS over and above the permissible rebate for effecting better and timely recovery of dues.
- h) The Sundry debtors - other Debts in schedule – 11 includes an amount of ₹2152.71 crore (previous year ₹1582.32 Crore) on account of unbilled revenue in view of recognition of revenue as per CERC Tariff Norms applicable for 2009-14.

16. Following the CERC order dated 03/08/2010, wherein the staff of the Commission was directed to prepare and submit draft amendment to the tax rate as per the Finance Act for the relevant year, various formalities for amending regulations including issue of draft amendments inviting comments from the stake holders and holding of public hearing in this respect has been completed but the final amendment is yet to be notified by CERC. Pending notification of the amendments by CERC, Return on Equity (ROE) component of transmission charges amounting to ₹241.52 crore for the year has been recognized by grossing up the ROE using the applicable MAT rate of 19.9305% applicable for the year as against MAT rate of 11.33% applicable for the F.Y. 2008-09 ( on the basis of which billing is being made).

Revenue of ₹132.47crore pertaining to F.Y. 2009-10 on account of above using the applicable MAT rate of 16.995% applicable for the year as against MAT rate of 11.33% applicable for the F.Y. 2008-09 ( on the basis of which billing is being made). has also been recognised during the year.

The total amount on account of above of ₹373.99 crore is yet to be billed by the Company

17. a) As per order of Ministry of Power, GOI, the moveable assets of RLDCs (System Operation Segment) have been transferred to Power System Operation Corporation Limited (POSOCO) a wholly owned subsidiary w.e.f. 01/10/2010. The purchase consideration has been worked out and settled as per details given below :-

Depreciated Value of moveable assets (Net block)	:	₹	75.95	crore
CWIP and Construction Stores & Advances	:	₹	00.60	crore
Net Current Assets	:	₹	25.13	crore
Total	:	₹	101.68	crore
Less : Grant in Aid	₹	5.06	crore	:
LDC Development Fund	₹	25.72	crore	:
Net Amount receivable	:	₹	70.90	crore

POSOCO has issued 3,05,90,000 fully paid equity shares of face value of ₹10/- each (Rupees ten only) amounting to ₹30.59 crore in favour of the Company and taken over loan liabilities of ₹40.31 crore towards Purchase Consideration.

b) Loans and Advances includes ₹49.04 Crore ( including interest of ₹0.34 Crore charged on estimated bases) advanced to POSOCO for day to day operations pending realisation of dues by POSOCO.

18. During the year company made Follow on Public Offer (FPO) and allotted 420,884,123 fresh equity shares of face value of ₹10 each at a premium of ₹80 each (₹75.50 for retail investors) and further allotted 420,884,123 equity shares of ₹10 each for a consideration of ₹90 each (₹85.50 each to retail investors) being disinvestment on behalf of President of India on 23<sup>rd</sup> November 2010. The company received ₹3721.17 crore through fresh issue of shares including share premium of ₹3300.29 crore and sale proceeds of equity of Government of India amounting to ₹3721.17 crore which was paid to Government of India. Out of the proceeds, a sum of ₹1600 crore has been utilized during the year for part financing of capital expenditure on the projects specified for utilization and the balance amount has been invested as per the investment policy of the company.

Issue expenses of ₹8.28 crore (Net after adjustment of Government of India share of Issue expenses of ₹7.64 crore) has been adjusted against Share Premium account (Schedule -2).

19. 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 ₹74.20 crore (net of ₹0.27 crore FERV loss for the construction projects) towards loan liabilities attributable to fixed assets.

(ii) FERV Loss of ₹15.58 crore has been adjusted in the respective carrying amount of Fixed Assets/Capital work in Progress (CWIP)/lease receivables.

(iii) FERV Gain of ₹77.96 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-11 (revised 2003)

b) Other Income for the year include an amount of ₹0.07 crore being the FERV gain on Current Assets.

20. FERV Loss of ₹0.71 crore has been shown as FERV Recoverable and ₹ (1.49) crore has been shown as depreciation amortisation as per Accounting Policy No.9.3 and 9.4.

21. Accounting of FERV as stated in note nos. 19 and 20 above, has resulted in increase in profit for the year by ₹4.47 crore.

22. Other Income includes ₹23.23 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.

23. The company is following AS-15 (revised 2005) 'Employee Benefits'.

Defined employee benefit schemes are as under:-

## A. Provident Fund

Company pays fixed contribution to Provident Fund at predetermined rate 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 return 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 on superannuation, resignation, termination, disablement or on death subject to a maximum of ₹10 lacs. 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. The additional Gratuity liability provision under wage revision as on 31.03.2010 on enhanced limit from ₹3.5 lacs to ₹10 lacs on account of pay revision due for Supervisors and Workmen amounting to ₹54.88 crore was reversed. After revision of the limit from ₹3.5 lacs to ₹10 lacs during the FY 2010-11, the impact on valuation due to enhanced limit for Supervisors and Workmen is ₹78.32 crore.

## C. Post-Retirement Medical Facility (PRMF)

The company has Post-Retirement Medical Facility (PRMF), under which retired employees 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.

## D. 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

	(₹ in crore)		
	GRATUITY Current Year	PRMF Current Year	ODRB Current Year
Current Service Cost	16.68	4.86	0.58
Interest cost on benefit obligation	20.39	7.10	0.86
Expected return on plan assets	-21.65	-0.07	-
Net actuarial (gain)/loss recognized in the year	80.67	33.98	-0.02
Expenses recognized in the profit and loss a/c.	96.09	45.87	1.42

### b) The amount recognized in the Balance Sheet

	(₹ in crore)		
	GRATUITY Current Year	PRMF Current Year	ODRB Current Year
Present value of obligation as at 31/03/2011(i)	359.68	125.16	11.43
Fair value of plan assets as at 31/03/2011 (ii)	314.83	-	-
Difference (ii) – (i)	-44.85	-125.16	-11.43
Net asset (liability) recognized in the Balance Sheet	-44.85	-125.16	-11.43

### c) Changes in the present value of the defined benefit obligations:

	(₹ in crore)		
	GRATUITY Current Year	PRMF Current Year	ODRB Current Year
Present value of obligation as at 01/04/2010	266.06	82.82	10.48
Interest cost	19.78	7.10	0.86
Current Service Cost	16.69	4.86	0.62
Benefits paid	-26.35	-3.60	-0.50
Net actuarial (gain)/loss on obligation	83.49	33.98	-0.03
Present value of the defined benefit obligation as at 31/03/2011	359.67	125.16	11.43



## d) Changes in the fair value of plan assets:

	(₹ in crore)
	<b>GRATUITY Current Year</b>
Fair value of plan assets as at 01/04/2010	267.91
Expected return on plan assets	21.04
Contribution by employer	48.67
Benefits paid	-25.60
Actuarial gain/(loss)	2.81
Fair value of plan assets as at 31/03/2011	314.83

- e) During the year the company has provided liability towards contribution to the Gratuity Trust of ₹93.84 crore out of which ₹2.70 Crore is recoverable from POSOCO, PRMF of ₹37.99 crore and to ODRB of ₹0.82 crore. Consequent upon settlement of wage revision of workmen & Supervisor, provision of ₹60.22 crore, has been reversed by crediting salary after retaining provision made in the earlier years ₹67.52 crore towards superannuation benefits as per DPE guidelines. The scheme of superannuation benefits is yet to be finalised.

**E. Other Employee Benefits**

Provision for Leave encashment amounting to ₹16.52 crore for the year has been made on the basis of actuarial valuation at the year end and charged to Profit and Loss Account.

**24. Segment Reporting**

	₹ in crore						
	Transmission	Consultancy	Telecom	RLDCs*	ULDCs	Elimination	Total
<b>Revenue:</b>							
Revenue from Operations	8222.74	279.55	185.35	252.29	214.77		9154.70
Inter Segment Revenue			6.26			-6.26	
Net Revenue from Operations	8222.74	279.55	191.61	252.29	214.77	-6.26	9154.70
Segment result	3382.29	152.69	30.85	41.95	122.36		3730.14
Unallocated Corporate interest and other income							118.91
Unallocated corporate expenses, interest and finance charges							19.76
MAT and Deferred Tax (Net)							1157.38
Profit after Tax							2671.91
<b>Other information:</b>							
<u>Segment Assets</u>	68935.58	74.61	791.75	1211.82	1021.31		72035.07
Unallocated Corporate and other assets							5636.30
Total Assets							77671.37
<u>Segment Liabilities:</u>	48589.16	1117.87	708.63	1093.23	855.51		52364.40
<u>Unallocated Corporate and other liabilities</u>							3718.50
<u>Total liabilities</u>							56082.90
<u>Depreciation</u>	2127.31	0.36	49.31	63.81	32.13		2272.92

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

\* Transferred to Power System Operation Corporation Ltd. w.e.f. 01.10.2010.

### a) Business Segments

The company's principal business is transmission of bulk power across different States of India. However, Power System Operation Assets, ULDC, RLDC, telecom and consultancy business are also treated as a reportable segment in accordance with para 28 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.

## 25. Related Party Disclosures:-

### a) Joint Ventures:-

- i) Powerlinks Transmission Limited
- ii) Torrent Power Grid Limited
- iii) Jaypee Powergrid Limited
- iv) Parbati Koldam Transmission Company Ltd
- v) Teestavalley Power Transmission Limited
- vi) North East Transmission Company Limited
- vii) National High Power Test Laboratory Private Limited
- viii) Energy efficiency Services Limited.

### b) Subsidiaries:-

Power System Operation Corporation Limited (POSOCO)

## 26. a) Key Management Personnel

Sh. S.K. Chaturvedi	Chairman and Managing Director
Sh. J. Sridharan	Director (Finance) (Superannuated on 30th April, 2011)
Sh. V.M. Kaul	Director (Personnel)
Sh. R.N. Nayak	Director (Operations)
Sh. I.S. Jha	Director (Projects)
Sh. Rakesh Jain	Director
Dr. M. Ravi Kant	Director
Dr. P.K. Shetty	Director (Retired on 9th July 2010 and re-appointed vide order dated 19th October 2010 w.e.f 10th July, 2010)
Dr. A.S. Narag	Director (Retired on 9th July 2010 and re-appointed vide order dated 19th October 2010 w.e.f 10th July, 2010)
Sh. Anil K. Agarwal	Director (Retired on 9th July 2010 and re-appointed vide order dated 19th October 2010 w.e.f 10th July, 2010)
Sh. F.A. Vanderavala	Director (Retired on 9th July 2010 and re-appointed vide order dated 19th October 2010 w.e.f 10th July, 2010)
Sh. S.C. Tripathi	Director (ceased to be Director w.e.f. 24th April, 2011)
Dr. Ashok Khanna	Director (ceased to be Director w.e.f. 24th April, 2011)
Smt. Sarita Prasad	Director

b) Transactions with the related parties at 25 (a) above are as follows:

( ₹ in crore)

Particulars	Current year	Previous Year
Contracts for Works/Services for services received by the Company		
• Transactions during the year	Nil	Nil
• Amount recoverable from related parties	Nil	Nil
• Amount payable to related parties	Nil	Nil
<b>Contracts for Works/Services for services provided by the Company</b>		
• Transactions during the year*	65.34	47.32
• Amount recoverable from related parties*	18.02	35.35

<b>Dividend Received</b>	74.82	22.93
<b>Deputation of Employees</b>		
• Transactions during the year	NIL	NIL
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) Transactions with the related parties at 25 (b) above are as follows:

In addition to transactions disclosed at note no. 15, company has paid System and Market Operation charges of ₹7.67 Crore and availed a rebate of ₹0.11 Crore. Company has also recovered ₹2.57 Crore from POSOCO towards dark fiber lease charges.

27. Remuneration to whole time directors including chairman and managing director is ₹3.10 crore and amount of dues outstanding to the company as on 31st March, 2011 are ₹0.07 crore. Director's sitting fee ₹0.30 crore for independent directors.

28. Employees' remuneration and benefits include the following for the directors, including chairman and managing director and excluding arrears paid to ex-directors.

	₹ in crore
<b>Particulars</b>	<b>Current Year</b>
Salaries and Allowances	2.57
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	0.13
Other benefits	0.40
Directors fees	0.30

29. 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 ₹780/- p.m. as contained in the Ministry of Finance (BPE) Circular No.2(18)/pc/64 dt. 29th November, 1964 as amended.

### 30. 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.

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

		₹ in crore
<b>Particulars</b>		<b>Amount as on 31.03.2011</b>
Add	Gross value of assets acquired and leased at the beginning of the year	989.03
	Adjustment for gross value of assets acquired prior to the beginning of the year.	5.03
	Revised Gross value of the assets at the beginning of the year	994.06
Less	Capital recovery provided up to the beginning of the year	325.51
Add	Capital recovery for assets acquired prior to the beginning of the year.	2.06
	Revised Capital recovery provided up to the beginning of the year	327.57
	Capital recovery outstanding as on 31st March of last financial year	666.49
Less	Capital recovery for the current year	62.66
	Lease receivables (*)	603.83

(\*) Does not include additional capitalisation which are subject to approval of CERC.

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

	₹ in crore
<b>Particulars</b>	<b>Amount as on 31.03.2011</b>
Gross investment in Lease	819.40
Un-earned Finance Income	215.57
Present value of Minimum Lease Payment (MLP)	603.83

Gross investment in lease and present value of minimum lease payments receivables as at 31st March, 2011 for each of the periods are as under:

Particulars	₹ in crore	
	Gross Investment in Lease	Present Value of MLPs
	2010-11	2010-11
Not later than one year	114.83	67.31
Later than one year and not later than five years	459.30	322.14
Later than five years	245.27	214.38
Total	819.40	603.83

The unearned finance income as on 31st March, 2011 is ₹215.57 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 not non-cancellable. Employees' remuneration and benefits include ₹26.67 crore towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments of ₹6.27 crore in respect of premises for offices and guest house/transit camps are shown under Rent in Schedule-23 – Transmission, Administration and Other expenses.

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

Particulars	As at 31.03.2011
<b>Numerator</b>	
Profit after tax as per Profit and Loss Account (Used as Numerator) (₹ In crore)	2671.91
<b>Denominator</b>	
Number of equity shares (Face value of ₹10/- each)	4208841230
Number of Shares allotted during the year	420884123
Weighted Average number of equity shares for calculating Basic earning per share	4357592057
Weighted Average number of equity shares for calculating Diluted earning per share	4357592057
Basic earning per share (₹/ per share) (Face value of ₹10/- each)	6.13
Diluted earning per share (₹/ per share) (Face value of ₹10/- each)	6.13

32. Major components of deferred tax liabilities and assets are given as under:

Particulars	As at 31.03.2011
<b>Deferred Tax Liability</b>	
Towards Fixed Assets (Net) (A)	1198.77
<b>Deferred Tax Asset</b>	
Income during Construction	45.11
Provisions	0.15
Other Miscellaneous	9.37
<b>Sub Total (B)</b>	<b>54.63</b>
<b>Net Deferred Tax Liability (A-B)</b>	<b>1144.14</b>

Net increase during the year in deferred tax liability is ₹440.56 crore has been debited to Profit and Loss Account.

33. 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 recognised. In the current year, there is no indication of impairment which requires re-estimating the recoverable amount of the assets.

34. Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹30840.95 crore.

35. No provision has been made for tax demands amounting to ₹102.96 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.

36. 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 'Claims 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 - Contingent Liability, is dependent on the admittance of petition to be filed with CERC and in remaining cases no reimbursement is expected.
37. 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, 2011.
- b) No payment is due for more than 30 days as at 31st March, 2011 in respect of purchases / services made from small scale/ancillary industries.

**38. a) VALUE OF IMPORTS CALCULATED ON CIF BASIS :**

₹ in crore

Particulars	Current Year
i) Capital Goods	1820.36
ii) Spare Parts	2.95

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

₹ in crore

Particulars	Current Year
i) Professional and Consultancy fees	1.76
ii) Interest	153.19
iii) Others	12.32

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

₹ in crore

Particulars	%	Current Year
i) Imported	7.24%	2.85
ii) Indigenous (Including fuel)	92.76%	36.54

**d) EARNINGS IN FOREIGN EXCHANGE**

₹ in crore

Particulars	Current Year
Interest	0.01
Consultancy Fee	19.37

39. 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

(R.T.Agarwal)  
Executive Director (Finance)

(V.M.Kaul)  
Director (Personnel)

(S. K. Chaturvedi)  
Chairman & Managing Director

**As per our report of even date**

**For A.R. & Co.**  
Chartered Accountants  
Regn. No. 002744C

**For S R I Associates**  
Chartered Accountants  
Firm Regn. No.305109E

**For Umamaheswara Rao & Co**  
Chartered Accountants  
Regn. No. 004453S

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

(I. Pasha)  
Partner  
M.No. 013280

(A. Siva Prasad)  
Partner  
M.No. 213675

Place : New Delhi:  
Dated: 24th May, 2011

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2011

(₹ in Crores)

Particulars	For the year ended 31st March, 2011
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net Profit Before Tax	3829.29
<b>Adjustment for :</b>	
Depreciation (including prior period)	2272.81
Transfer from Grants in Aid	(30.57)
Adjustment against General Reserve	14.30
Deferred revenue - Advance against Depreciation	(37.56)
Amortised Expenditure(DRE written off)	(0.71)
Provisions	(10.56)
Transfer from Self Insurance Reserve	(2.21)
Net Loss on Disposal / Write off of Fixed Assets	7.55
Interest and Finance Charges	1703.79
Provisions Written Back	(40.24)
FERV gain	(4.40)
Interest earned on bonds/Loans to State Governments.	(104.97)
Stamp Duty & Filling Fee	0.17
Rebate on Transmission Charges	3.02
Income from sale of short term investment	(2.85)
<b>Operating profit before Working Capital Changes</b>	<b>7596.86</b>
<b>Adjustment for :</b>	
(Increase)/Decrease in Trade and other Receivables	(1003.56)
(Increase)/Decrease in Inventories	(37.38)
Increase/(Decrease) in Trade payables and other liabilities	(2334.71)
(Increase)/Decrease in Other current assets	(35.88)
(Increase)/Decrease in Deferred Income/Expenditure from Foreign Currency Fluctuation(Net)	44.78
(Increase)/Decrease in Deferred Foreign Currency Fluctuation Asset/Liability(Net)	17.83
(Increase)/Decrease in Loans and Advances	1142.98
Deferred Revenue Expenditure	1.86
	(2204.08)
Direct taxes paid (including FBT)	(524.18)
<b>Net Cash from operating activities</b>	<b>4868.60</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	
Fixed assets (including incidental expenditure during construction)	(412.72)
Capital work in progress	(9956.70)
Advances for capital expenditure	(3480.37)
(Increase)/Decrease in Investments - Bonds and others	211.17
Lease receivables	63.47
Interest earned on bonds/Loans to State Govts.	103.04
<b>Net cash used in investing activities</b>	<b>(13472.11)</b>

**C. CASH FLOW FROM FINANCING ACTIVITIES**

Proceeds from issue of Shares - Capital	420.89
Proceeds from issue of Shares - Premium	3300.29
Share Issue Expenses	(8.45)
Loans raised during the year - Long Term	8288.44
Loans repaid during the year - Long Term	(1835.61)
Loans raised during the year - Short Term	1450.00
Loans repaid during the year - Short Term	(1250.00)
Interest and Finance Charges Paid	(1496.80)
Dividend paid	(652.39)
Dividend Tax paid	(113.77)
<b>Net Cash from Financing Activities</b>	<b>8102.60</b>

**D. Net change in Cash and Cash equivalents(A+B+C)**

D. Net change in Cash and Cash equivalents(A+B+C)	(500.91)
E. Cash and Cash equivalents(Opening balance)	5306.78
F. Cash and Cash equivalents(Closing balance)	<b>4805.87</b>

**Notes:**

Cash and cash equivalents consist of cash in hand and balance with banks and it includes ₹1399.22 crore not available for use by the Company.

**For and on behalf of the Board**

<b>(Divya Tandon)</b> Company Secretary	<b>(R.T.Agarwal)</b> Executive Director (Finance)	<b>(V.M.Kaul)</b> Director (Personnel)	<b>(S. K. Chaturvedi)</b> Chairman & Managing Director
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**As per our report of even date**

**For A.R. & Co.**  
Chartered Accountants  
Firm Regn. No. 002744C

**For S R I Associates**  
Chartered Accountants  
Firm Regn. No.305109E

**For Umamaheswara Rao & Co**  
Chartered Accountants  
Firm Regn. No. 004453S

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

**(I. Pasha)**  
Partner  
M.No. 013280

**(A. Siva Prasad)**  
Partner  
M.No. 213675

Place: New Delhi.

Date: 24<sup>th</sup> May, 2011

## Auditors Report on Consolidated Financial Statements

To

**The Board of Directors  
Power Grid Corporation of India Limited**

- We have audited the attached Consolidated Balance Sheet of Power Grid Corporation of India Ltd. (the Company) and its Subsidiaries and Joint Ventures (collectively referred to as Power Grid Corporation of India Ltd. Group) as at 31<sup>st</sup> March, 2011 and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.
- We did not audit the financial statements of the following Subsidiaries and Joint Ventures of the Company, whose financial statements reflect total assets of ₹1491.24 Crore as at 31<sup>st</sup> March, 2011, the total revenue of ₹273.62 Crore and net cash flows amounting to ₹(927.84) Crore for the year ended 31<sup>st</sup> March, 2011. The financial statements have been audited by other auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amount included in respect of the Subsidiaries and Joint Ventures, is based solely on the Reports of the other Auditors. The un-audited financial statements of Joint Ventures companies have been incorporated in the accounts. The details of the assets, revenues and net cash flows in respect of these Subsidiaries and Joint Ventures to the extent to which they are reflected in the consolidated financial statements are given below:-

(₹ in Crore)

Name of the Companies	Total Assets	Total Revenues	Net Cash Flows
<b>Subsidiaries</b>			
Power System Operation Corporation Limited (POSOCO)	168.27	115.71	-934.47
<b>Joint Ventures</b>			
Powerlinks Transmission Limited	692.27	150.31	-4.29
Torrent Power Grid Limited	90.90	6.00	-4.13
Jaypee Power Grid Limited	220.48	NIL	0.85
Parbati Koldam Transmission Company Limited	28.87	0.08	1.08
Teestavalley Power Transmission Limited	46.06	NIL	-2.41
North East Transmission Company Limited	214.39	NIL	-4.39
National High Power Test Laboratory Private Limited	2.08	NIL	-0.43
Energy Efficiency Services Limited	27.92	1.52	20.35
<b>Total</b>	<b>1491.24</b>	<b>273.62</b>	<b>(927.84)</b>

- We draw attention to :  
Note No. 15 (b), (c) and (d) regarding provisional recognition of transmission charges.
- We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard AS (21), 'Consolidated Financial Statements' and Accounting Standard AS (27) , 'Financial Reporting of Interests in Joint Ventures' of the Companies (Accounting Standards) Rules, 2006.



6. Further to our comments in para 3 & 4 above, we report that on the basis of information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Power Grid Corporation of India Ltd. group to the extent received as stated above, we are of the opinion that the said consolidated financial statements give a true and fair view of conformity with the accounting principles generally accepted in India,
- i) in case of Consolidated Balance Sheet, of the state of affairs of the Power Grid Corporation of India Ltd. Group as at 31<sup>st</sup> March , 2011.
  - ii) in case of Consolidated Profit & Loss Account, of the profit for the year ended on that date, and
  - iii) in case of Consolidated Cash Flow Statement, of each cash flows for the year ended on that date.

Thanking you,  
Yours faithfully,

**For A.R.& Co.**  
Chartered Accountants  
Firm Regn No.002744C

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

**For S R I Associates**  
Chartered Accountants  
Firm Regn No.305109E

**(I Pasha )**  
Partner  
M.No. 013280

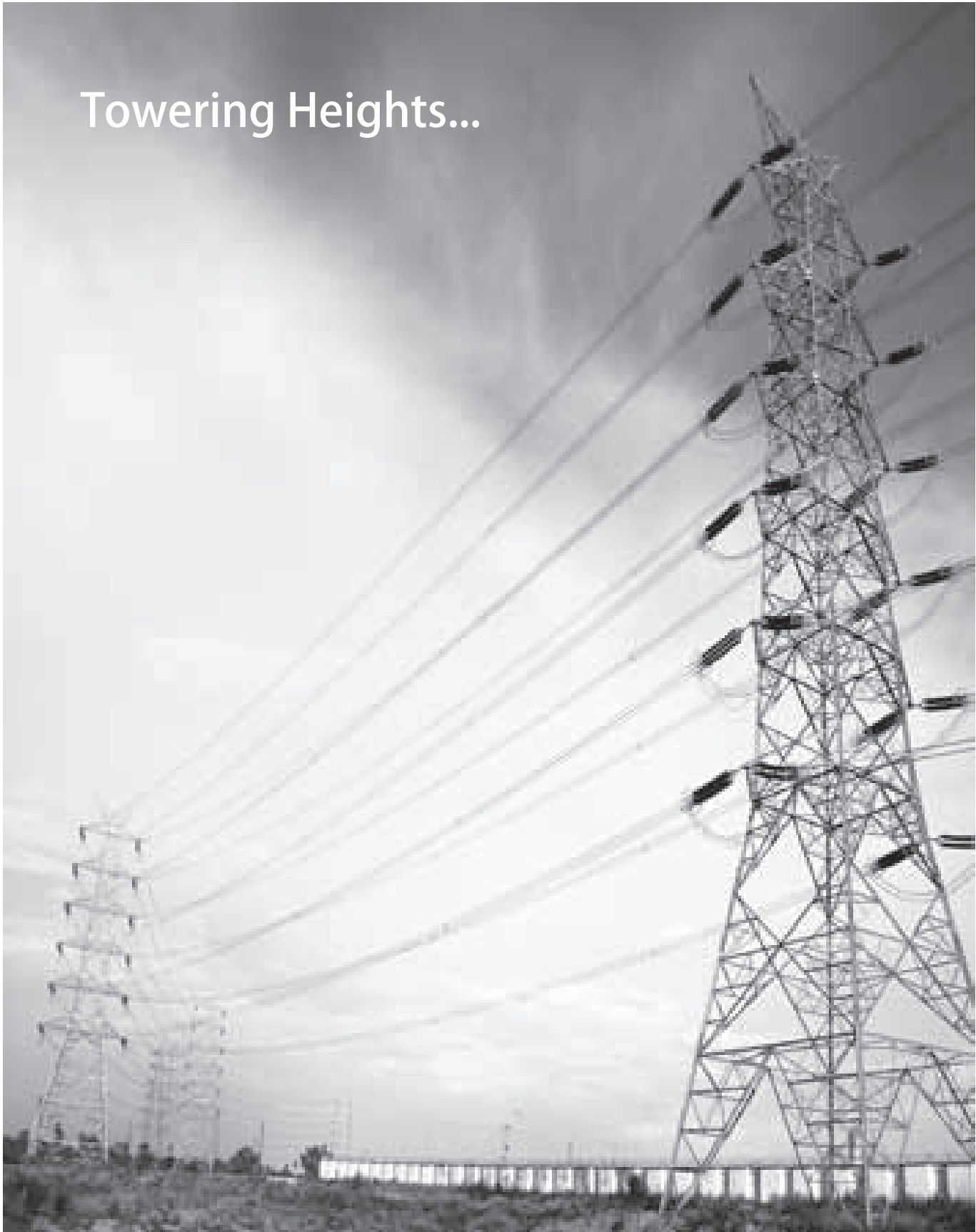
**For Umamaheswara Rao & Co.**  
Chartered Accountants  
Firm Regn No. 004453S

**(A Siva Prasad)**  
Partner  
M. No. 213675

Place : New Delhi  
Dated : 24th May, 2011



# Towering Heights...







पावरग्रिड

**POWER GRID CORPORATION OF INDIA LTD.**

(A Government of India Enterprise)

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Ph: 91-11-26560112, 26564892 Fax: 91-11-26601081

Corporate Office : 'Saudamini', Plot No. 2, Sector 29, Gurgaon (Haryana) - 122001, INDIA  
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*Delivering Smart Transmission Solutions...*