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Mission & Objectives

Mission

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

Objectives

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

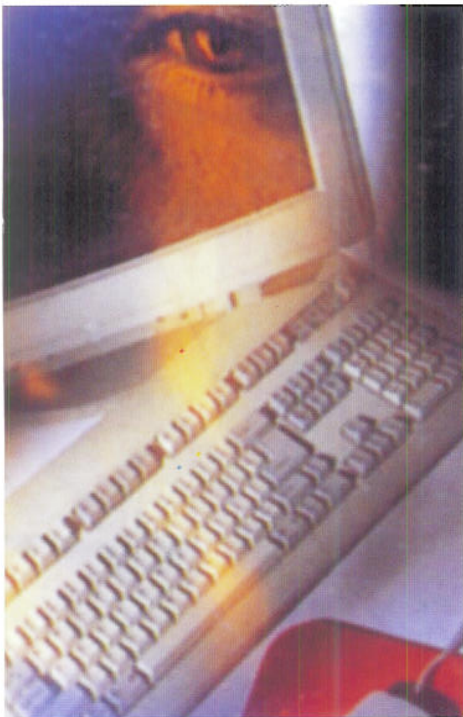
- Undertake transmission of energy through Inter-State Transmission System.
- Discharge all functions of planning and coordination relating to Inter-State Transmission System with -
 - (i) State Transmission Utilities;
 - (ii) Central Government;
 - (iii) State Governments;
 - (iv) Generating Companies;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





POWERGRID

Quest for Excellence in
telecommunication



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

- To establish broadband Telecom Network over extensively spread Transmission Infrastructure.
- Commence Telecom Business as Infrastructure Provider-II with an eye on National Long Distance Operation in the long run.
- Introduce other Value Added Services, *Managed network services and Data centres.*
- To tap a significant market share of the Voice and Data market being offered by liberalisation of national long distance operation.
- Implement 20,000 Kms. network connecting over 60 major cities within 2 to 3 years.

As on date Bandwidth available on :

Delhi - Lucknow - Mumbai

Delhi - Chandigarh - Shimla

Delhi - Jaipur

Delhi - Meerut

other cities to be connected progressively

- Extend telecom network to serve uneconomic and backward areas for the benefit of the common man.
- Would offer total solution and cater to the specific needs of the customers.



B
Board of Directors



Shri R. P. Singh
Chairman and Managing Director
Since 23.08.1997



Dr. V.K. Garg
Director (Finance)
Since 17.09.1997



Shri Bhanu Bhushan
Director (Operations)
Since 13.11.1997



Shri S.C. Misra
Director (Projects)
Since 01.09.2001



Shri U.C. Misra
Director (Personnel)
Since 01.08.2002



Shri M. Sahoo
JS & FA (MOP)
Govt. Director
Since 22.07.2002

BANKERS

• Indian Overseas Bank • Union Bank of India • Bank of Baroda • State Bank of Hyderabad
• State Bank of Travancore • State Bank of India • State Bank of Patiala • State Bank of
Bikaner & Jaipur • Central Bank of India • Corporation Bank
• Canara Bank • Oriental Bank of Commerce • Syndicate Bank • Dena Bank • State
Bank of Mysore • Punjab National Bank • Vijaya Bank • Indian Bank

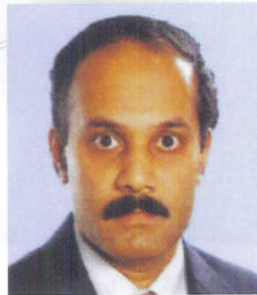
Annual
Report
2002-03



Shri Shashi Shekhar
Jt. Secy. (MOP)
Govt. Director
From 17.06.2003 to 6.10.2003



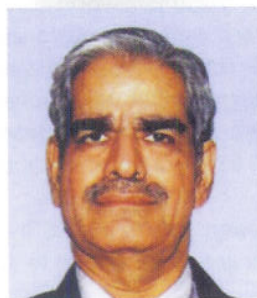
Shri A.K. Kutty
Jt. Secy. (MOP)
Govt. Director
from 22.07.2002 to 17.06.2003



Shri P. I. Suvrathan
Jt. Secy. (MOP)
Govt. Director
from 18.05.2001 to 11.07.2002



Shri R. Ramanujam
Jt. Secy. (MOP)
Govt. Director
from 23.02.2000 to 01.07.2002



Shri A. I. Bunet
Director (Personnel)
from 09.08.2001 to 31.07.2002



Shri V. V. R. K. Rao
Chairman (CEA)
Govt. Director
from 20.07.2001 to 30.06.2002

Company Secretary
Ms. Divya Tandon

M/s. D. P. Sen & Company
Chartered Accountants
8/2 Karan Shankar Roy Road,
Kolkata - 700 001

M/s. Venugopal & Chenoy
Chartered Accountants
4-1-889/16/2, Tilak Road,
Hyderabad - 500 000

M/s. Hingorani M. & Company
Chartered Accountants
35, Netaji Subash Marg, Daryaganj,
New Delhi - 110 002

Registered Office : B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi - 110 016



Chairman Speaks

at the 14th Annual
General Meeting held at
New Delhi on 29th Sept., 2003



Ladies and Gentlemen,

The year 2002-03 can be labelled as the year of achievements in all the facets of company's business. Your company recorded a Turnover of Rs. 2532.74 crore and Net Profit (After Tax) of Rs. 642.59 crore, recording a Net Profit Margin of over 25%. Collection efficiency of your company has currently gone upto 97%.

While capital investment worth Rs. 2561 crore was undertaken, projects worth Rs. 5300 crore were commissioned covering 5956 ckt. Kms. of transmission lines, 11 new sub-stations along with 10,548 MVA transformation capacity. This facilitated augmentation of National Grid capacity to 8000 MW. Most of the projects were commissioned ahead of schedule upto one-year and at a cost lesser by Rs. 850 crore than the approved cost.

The transmission system availability achieved was 99.4% and the number of trippings per line was reduced to 4.86, better than previous year.

Management of the regional grids by your company through modernized Regional Load Despatch Centres and highly trained personnel has paid rich dividends. The vital grid parameters viz. Voltage and Frequency have greatly improved. While earlier, frequency used to hover between 48 Hz and 52 Hz most of the time, now it is within specified band of 49 Hz to 50.5 Hz. The voltage, particularly in Southern Region, which used to suffer on account of low voltage, has improved from 365 kV to 400 kV at Bangalore.

Performance of your company in this landmark year of 2002-03 was consistent with its long tradition of growth. Your company accomplished the first phase of National Power Grid with completion of 500 MW HVDC back-to-back station at Sasaram inter-connecting Eastern & Northern Regions. Considerable progress

was also achieved in implementation of the second phase of National Power Grid with the commissioning of 2000 MW, 1400 Kms. long Talcher- Kolar HVDC bi-pole link between Eastern & Southern Regions and Raipur-Rourkela 400 kV Double circuit AC interconnection between Eastern & Western Regions. While the former has the distinction of being the longest HVDC bipole link in Asia, completion of the latter has led to creation of a synchronised sub-national grid covering North-Eastern/Eastern/Western Regions with a cumulative installed capacity of over 50,000 MW stretching from Arunachal Pradesh in North- Eastern Region to Goa in Western Region i.e. a distance of more than 2500 Kms. encompassing an area of about 16 lakh sq. Kms. This large inter-connected synchronous network is facilitating swapping of power among Regions and mitigating the shortages of deficit Regions. Its successful management needs greater care and attention of not only POWERGRID but also of other constituent utilities viz SEBs, Transcos etc.

Financial performance of your company would have been still better, but for certain tariff related regulatory measures, which are being evolved. Though it is a matter of concern, your company is addressing them suitably. Constraints were also faced on account of revenue loss due to longer gestation of Nathpa-Jhakri and Dulhasti hydro projects and sluggish growth of generating capacity in the North-Eastern Region. Govt. of India has been approached to consider a suitable package to bridge the revenue gap in NER, which needs special treatment. Impetus being given by Govt. of India to accelerate development of hydroelectric projects is anticipated to improve utilization of the transmission system in NER, leading to growth in revenue.

Multifarious steps were taken to control the expenditure; manpower cost being one of the major. Over the decade, manpower has grown at an average annual rate of only 2%, while the financial and constructional performances have grown 27 % (Turnover) and 40% (Asset Base), respectively.

Significant progress has been made in execution of 765 kV transmission system associated with Tehri HEP. Its progress was constrained due to socio-legal issues related to forest conservation in Rajaji National Park. After repeated hearings in Supreme Court, the issues were resolved. Your company had to incur additional expenditure of around Rs. 50 crore towards afforestation as per orders of Hon'ble Supreme Court, while the height of the transmission towers was also raised from the normal level of about 35 meter to 55 meter to minimise tree-felling. This is in keeping with your company's concern for maintaining ecological balance, while furthering the economic development. Such concerns are addressed in your company's Environmental and Social Policy and Procedures (ESPP) document, which has been made an integral part of its project implementation process. The concern for environment starts at the system planning stage itself, where enough care is taken to avoid forest or thickly inhabited areas along the transmission lines.

Your company maintains its consistent performance through a sustainable corporate value system based on transparency, accountability, trusteeship, ethical and disciplined behavior supplemented by proactive employees welfare orientation. Your company appreciates the vital role played by the human resource in the development of an organization. Accordingly, the policies are focused towards the development of human resource through



Dividend cheque
being presented to
Hon'ble Union Minister of Power



skill upgradation, career enhancement, job rotation, welfare schemes, etc., besides providing modern infrastructure to keep the human force motivated to meet the corporate objectives. This is also consistent with your company's governance practices that are focused towards achieving its mission based on well established, transparent and documented practices in managing the engineering, procurement, project execution, finance and human resources functions, which are being followed in letter and spirit and are being continually improved upon. One of such documents is "Works & Procurement Policy and Procedure" which lays policy and procedures that are unambiguous, transparent and backed up by established & time-tested procedures and systems.

Aforesaid factors have contributed significantly towards economical implementation of projects through saving in cost and execution time, which were also supplemented by sound debt management, capitalizing on falling interest rates in domestic and international markets. During the year, high cost debts of more than Rs. 2000 crore, both domestic and international, were refinanced, resulting in substantial savings of about Rs. 300 crore over the residual life of the loans.

The Regional Load Despatch Centres (RLDCs) were transferred to POWERGRID progressively by 1996. In 1998, through amendment of Electricity Laws, RLDCs were accorded apex status for grid management. POWERGRID as Central Transmission Utility (CTU) was assigned the role of operator of these five RLDCs. Grid disturbances have since been significantly curtailed and grid parameters improved. Strategies of your company in operating the five regional grids have also enhanced utilization of available generating resources in the country. During the year, 12,000 Million Units, valued at Rs. 2,400 crore, were transferred between the Regions, contributing to corresponding growth in economic activities.

Structural changes brought about by Ministry of Power including CTU status to POWERGRID, establishment of modern RLDCs by POWERGRID, introduction of Availability based Tariff and issuance of Grid Code by CERC have brought in remarkable improvement in grid management in India. Recent grid collapses in various parts of the world have attracted attention towards our grid management model.

The performance of your company also needs to be viewed from the stand point of National wealth creation and economic value addition. The company today has a gross asset base of Rs.19,000 crore, grown more than five-fold since 1992-1993 (Rs. 3,521 crore).

Such sterling performance of your company has been complimented by none other than the Hon'ble Prime Minister of India on various occasions. Commissioning of Talcher-Kolar HVDC project nine (9) months ahead of schedule and at a cost lesser by Rs. 700 crore than the Govt. of India approved cost of Rs. 3865 crore has been appreciated by Hon'ble Prime Minister in following words:

"समय से पहले ये प्रोजेक्ट आप ने पूरा किया है। दूसरी बात यह है कि जितना धन खर्च करने का अनुमान था उससे कम में आपने काम चलाया है। ये दो बड़ी उपलब्धियाँ हैं। हमें अपने व्यवहार का मानदण्ड बनाना चाहिए। समय से पहले हम काम करके दिखाएंगे, और कम लागत में पूरा काम करके दिखाएंगे। ये दोनो बातें अगर हमारे कार्यक्रम, हमारे व्यवहार में समाविष्ट हो जाएँ तो हमारी प्रगति और भी तेजी से होगी इसमें कोई संदेह नहीं है।"



A view of a Control Room

Future Orientation

Your company has developed a perspective transmission plan, in consultation with CEA and State Power Utilities, for strengthening the regional grids and their interconnection. Major considerations followed while formulating such a perspective plan have been, creation of "Transmission Highways" from potential generating resources mainly in Eastern & North-Eastern Regions to major Load Centres in Northern, Southern & Western Regions for their optimum utilisation, conservation of Right-of-Way, especially through eco-sensitive zones and to achieve economy (cost/MW) over long-term.

The goal of establishing a National Power Grid having inter-regional power transmission capacity of 30,000 MW by the year 2012 is envisaged to be achieved through a hybrid network of 765 kV EHV AC and HVDC transmission systems. It shall, however, greatly depend upon the pace of commissioning of 1,00,000 MW planned generation projects.

For creation of such a National Power Grid, the total investment required under the central transmission sector during 10th & 11th plan has been estimated to be about Rs. 71,000 crore. Out of this, your company plans to invest to the tune of Rs. 50,000 crore, while the balance Rs. 21,000 crore is envisaged to be mobilised under Private Participation through two identified routes viz. Independent Power Transmission Company (IPTC) route and Joint Venture (JV) route.

Multilateral funding agencies as well as the domestic long-term debt and capital market continue to pose confidence in your company. The monetary policy is in favour of lower lending rates, which is investment friendly. Government is signalling towards opening up of the pension sector, which may provide substantial depth to the long-term fund market. Against this backdrop, your company is well positioned for the future.



Encouraging Private Investment

As an initiative to build up partners in growth of transmission infrastructure, POWERGRID took up implementation of major transmission lines associated with Tala HEP in Bhutan at an approved cost of Rs.1100 crore through **public-private participation** route by setting up the joint venture with M/s Tata Power. The project is fast moving towards financial closure wherein reputed lending agencies like ADB and IFC are participating. The success of this model of private participation shall not only act as a trendsetter in transmission sector but in power sector as a whole. Solicitation process undertaken for selection of an Independent Private Transmission Company (IPTC) is also underway.

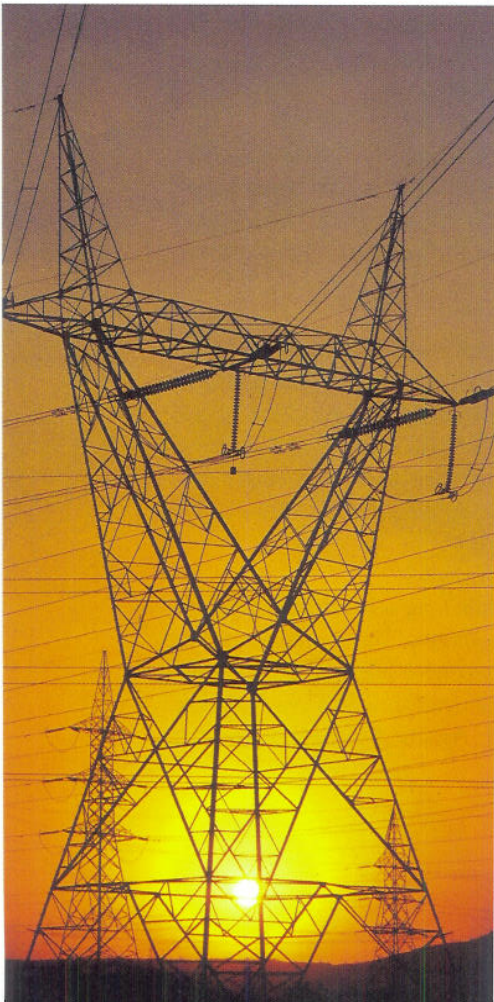
Consultancy – A potential business option

Your company has been treating consultancy business as a potential growth area. This business domain has been nurtured all through and has now resulted not only in quantum jump in securing consultancy assignments and earning revenue but also in terms of rendering vital professional assistance to State power utilities and other clients to facilitate the process of sectoral reforms through providing its technical and managerial expertise to them. Continuing this trend, your company earned revenue of about Rs. 19 crore during the year 2002-03, a five-fold increase since 1992-93. This year, your company has secured 27 new consultancy assignments amounting more than Rs. 1200 crore, which would lead to earning a consultancy fee of about Rs. 155 crore over a period of around three years. One of the major assignments is turnkey execution of UPPCL's transmission system associated with Vishnuprayag HEP(Uttranchal), which traverses difficult hilly and snow-bound areas and is critical for evacuation of power. Your company is providing consultancy in the field of Information Technology to Delhi Transco Ltd. Another major consultancy assignment that is likely to be entrusted to your company is sub-transmission improvement projects in Bihar at a cost of Rs. 386 crore. A major breakthrough in consultancy field was achieved by bagging international consultancy assignments from M/s Bhutan Telecom for turnkey execution of Optical Fibre Ground Wire (OPGW) on their existing line and terminal equipment. Govt. of India is also considering assigning your company to undertake a transmission project in a hilly and snow-bound area of Afghanistan. Such offshore assignments, besides yielding revenue, shall also enhance POWERGRID's reputation internationally and enable your company in taking up assignments, world over.

Progress under Diversification Plans

Company's Diversification in Telecom has started yielding results and leading telecom players are availing bandwidth capacity over POWERGRID's existing telecom links. Commissioning of vital Delhi – Lucknow – Mumbai link in a record 9 months' time has consolidated your company's position in telecom sector. Major thrust to POWERGRID's telecom plans have been received with the approval of Govt. of India for POWERGRID's telecom network of 14,000 kms. covering more than 60 cities at an estimated cost of Rs. 934 crore.

Your company is also lending its managerial and technical expertise as Advisor-cum-Consultant (AcC) for developing 105 Distribution Circles under Accelerated Power Development & Reforms Program (APDRP) of Ministry of Power. At the end of the first phase of the program, projects worth Rs. 16,000 crore have been approved, which includes projects worth Rs. 5,587 crore, where POWERGRID is associated. In addition to providing assistance as AcC,



your company is also taking up turnkey execution of projects in Sub-transmission & Distribution area as consultants on bilateral basis in States like Goa, Uttar Pradesh, Bihar etc. This is an indication of huge business opportunity in the Distribution Sector Reforms and your company is fully geared up to avail this opportunity.

Improvement through Technology Upgradation

Your company recognizes the importance of latest technologies for all round performance improvement. Keeping pace with the advancement of technology, your company has accorded high priority to Flexible AC Transmission System (FACTS) technology. This system has already been implemented in transmission projects e.g. Kishenpur-Pampore 220 kV double circuit and Kanpur-Ballahgarh 400 kV single circuit lines. Through this, it has been possible not only to enhance power carrying capacity of these existing transmission lines and conserve precious Right-of-Way, but also reduce the transmission cost. Such systems are being implemented on many existing lines. Other front-end technologies like upgradation of existing lines from lower



Delhi-Lucknow-Mumbai bandwidth being dedicated to the nation by Hon'ble PM

voltage to higher voltage, uprating of current carrying capacity of existing lines through replacement of existing conductors with higher capacity conductors, using high Temperature Endurance Conductors, Compact Towers, alternate type of tower structures (like Guyed Structures, Pole Structures), etc. are at different stages of development and application, to yield economic benefits, in future. In the field of operation and maintenance too, technologies like Hot Line maintenance, Hot line washing, Tuning of Power System Stabilizer (PSS), Equipment Condition Monitoring and Residual life Assessment etc. are being employed to improve the availability of its transmission assets.

While modernisation of RLDCs in Northern, Southern & North-Eastern Regions have already been carried out using state-of-the-art technology under Unified Load Despatch & Communication scheme, the same in other two Regions is progressing at a fast pace and is anticipated to be completed ahead of schedule.

Recognising Information Technology (IT) as a key business enabler, your company has assigned utmost priority to its use for various operations. Your



Bhiwadi Substation being dedicated to the Nation by Hon'ble Vice President of India

company's Web based enterprise-wide system facilitates grid parameter monitoring, operation status reporting, Inspection Management System and Human Resources Information System. It also offers electronic mail system for cost-effective and faster communication. Multi-locational Video conferencing network connecting its corporate center and regional offices is being extensively used for regular project review and discussions, saving money and travelling time.

Lending tender hands

Your company attaches great importance to its employees' performance and achievements. Commissioning of Talcher HVDC project at a cost lesser by Rs. 700 crore and 9 months ahead of schedule was rewarded by disbursing special incentive to them. A world-class building, with modern amenities, to house the corporate centre was constructed in Gurgaon. A common dining facility has been provided where all the employees dine together sharing common platform. This has resulted into a unique cultural transformation in the corporation, which is rare in Govt. owned institutions.

Work is on to construct a township and a modern community centre at Gurgaon, which is likely to be ready in a year's time. Employees were encouraged to set up a Group Housing Complex in the vicinity, which has come up very well having ultra-modern amenities, beautiful landscape setting and provides safe and secure environment to the employees. The school building in the township was completed on a war footing to avoid hardship to the employees' children. Your company's concern for fellow human beings is extended to the neighbourhood of its establishments all over the country. Many of our establishments have adopted nearby villages, imparting education, medical aid, etc.



Employees seen sharing the common dining facility at its Corporate Office building "SAUDAMINI"

Commitment beyond Business

Your company has been creating sustainable corporate values by responding to broader concerns of the stakeholders, which has resulted in exceeding not only the operational targets, but also contributed significantly to the society by going beyond the usual business needs.

Your company, in its endeavours to effectively discharge social responsibilities, has taken steps to enhance its capability and capacity to undertake faster restoration of transmission system, which is not limited to its own assets and include those belonging to State utilities, which are damaged during natural calamities like flood, earthquake, cyclones, etc.

Conclusion:

We are proud of our achievements so far, but not satisfied as we have a long way to go. We are accelerating our efforts to improve our results further. We begin another year with enthusiasm. Diversity of experiences and background are key to our continuous success. I thank the dedicated Board of Directors and Government agencies, both at Centre and State as well as State utilities for their continued support, the employees of POWERGRID for their commitment and unflagging efforts and the funding agencies for their unstinted support and co-operation. I am sure that the success achieved and the relationships harnessed will definitely lead to manifold growth of the company and continue to contribute towards development of Power Sector.

R.P Singh
(Chairman & Managing Director)

Place: New Delhi
Date: 29th September, 2003



Directors' Report

for the 14th Annual General Meeting held at New Delhi on 29th Sept., 2003.

To,
The Members.
Ladies & Gentlemen,

I am privileged to present on behalf of the Board of Directors, the 14th Annual Report of Power Grid Corporation of India Limited (POWERGRID), together with the Audited Statements of Accounts for the financial year 2002-03. It has been another eventful year for your company, which can be appreciated from the score sheet presented below.

Project Implementation

POWERGRID continued to implement its projects with economy and within stipulated time frame to derive maximum economic benefits. Its advanced and cost effective Integrated Project Management and Control System (IPMCS) for total project review and perpetual monitoring, has contributed significantly. I am happy to report that during the financial year 2002-2003, POWERGRID commissioned projects worth Rs. 5,300 crore, highest so far in any one year in the POWERGRID's history. These projects were completed at a cost lesser by Rs. 850 crore than the Govt. of India approved cost. Major transmission projects that were commissioned are, 500 MW Sasaram HVDC back-to-back, ± 500 kV/2000 MW Talcher-Kolar HVDC Bi-pole, 400 kV D/C Kolhapur-Mapusa, 400 kV S/C Jamshedpur-Rourkela, 400 kV D/C Raipur-Rourkela, and 400 kV D/C Vijayawada-Nellore-Chennai transmission system. The company established eleven (11) new 400/220 kV EHV AC sub-stations and HVDC stations in the year, besides extension of many existing sub-stations.

Operations and Maintenance

During the year, about 6,000 Ckt. Kms. of transmission lines were added enhancing its network size to 46,245 Ckt. Kms., consisting of 563 Ckt. Kms. of 800 kV, 4,368 Ckt. Kms. of HVDC, 31,952 Ckt. Kms. of 400 kV, 7,277 Ckt. Kms. of 220 kV, 2,048 Ckt. Kms. of 132 kV & 37 Ckt. Kms. of 66 kV transmission lines. This extensive transmission network along with 79 substations with transformation capacity of 44,736 MVA was maintained at an average systems availability of 99.39 % exceeding the target level of 98.25% set for the year.

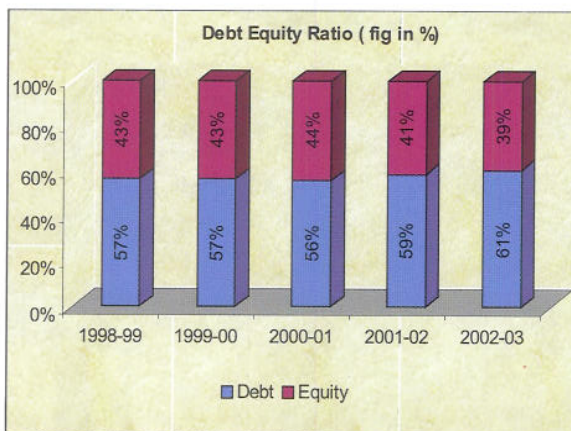
Financial Management

The company registered a Turnover of Rs 2532.74 crore and earned a Net profit (After tax) of Rs. 642.59 crore thereby recording a Net profit margin of 25.37%. The company's Gross asset base and paid-up capital at the end of the financial year 2002-03 stood at Rs. 18,943 crore and Rs. 3,074 crore respectively as against Rs. 13,777 crore and Rs. 3,068 crore at the

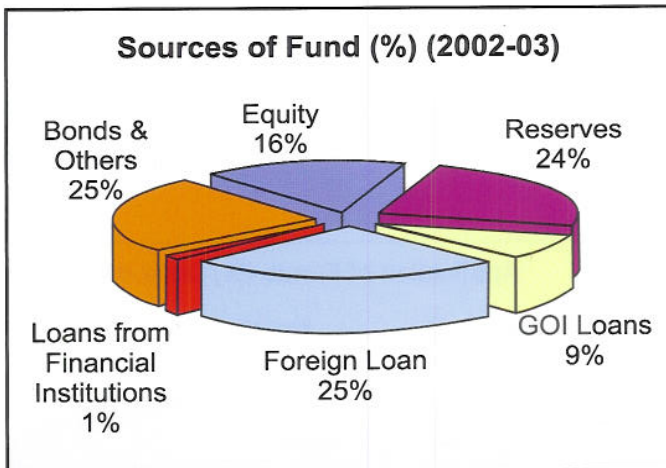
end of last financial year. The Debt to Equity ratio at the end of the financial year was 61:39 with scope for further leveraging of the capital.

Statutory Auditors, in their Audit Report have qualified the provision of depreciation on fixed asset at the rates specified in the tariff notification issued by CERC instead of rates notified under the Electricity (Supply) Act, 1948 resulting in understatement of depreciation and overstatement of profit for the year by Rs. 461 crore.

The above Auditors' comment is due to the reason that the rates of depreciation notified the Govt. of India u/s 25A of the Electricity (Supply) Act, 1948 have not so far been amended to correspond



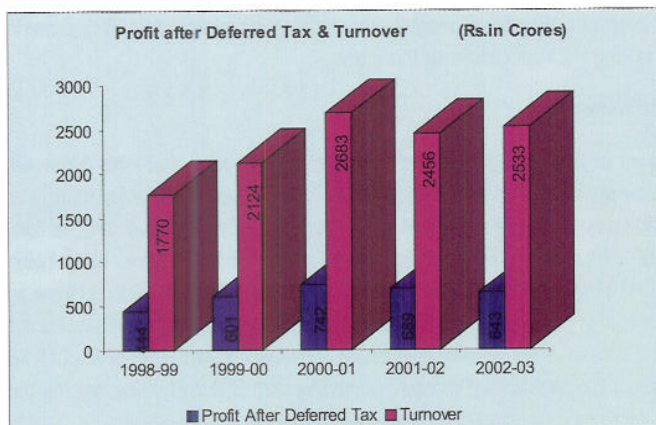
to the CERC rates. The charge of depreciation considered in the Profit & Loss A/C is at the rates notified by CERC for recovery of depreciation included in the transmission charges and maintaining the earlier principle, there is no overstatement of profits.



The significant changes in the accounting policies are given below:

- I. ULDC Assets have been commissioned during the financial year in Northern and Southern Regions. POWERGRID has also constructed ULDC assets for SEBs, Tariff of which is being recovered as Levelised Tariff. These transactions are considered as finance lease in terms of AS-19 issued by ICAI. The following new accounting policy in respect of treatment of lease rentals from investment in State Sector ULDC assets in the books of POWERGRID has been made:
 - a) State Sector ULDC assets leased to the SEBs are considered as Finance Lease. Net investment in the leased assets is accounted as lease receivables under Loans and Advances.
 - b) Finance income on leased assets is recognised based on a pattern reflecting a constant periodic rate of return on the net investment.
 - c) Exchange Rate Variation (ERV) on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenor of lease. ERV recovery (as per CERC norms) from the constituents is recognized net of such amortised amounts.
- II. Surcharge which was hitherto being accounted for on receipt basis is now accounted for on receipt/certainty of receipt. This change in policy has resulted in increase in other income and profit by Rs.192.29 crore.

As per the terms of the tripartite agreement signed by State Govts. (on behalf of SEBs), Ministry of Finance and RBI, all surcharge and interest payable by the SEBs on the overdues of CPSUs shall be written off to the extent of 60%. Out of Surcharge of Rs. 192.29 crore accounted for during the year, Rs. 188.78 crore pertains to period covered by tripartite agreement and is net of the waived amount of Rs. 221.85 crore. However, the waived amount was never accounted for as income in any of the earlier years as per the accounting policy of the Corporation.



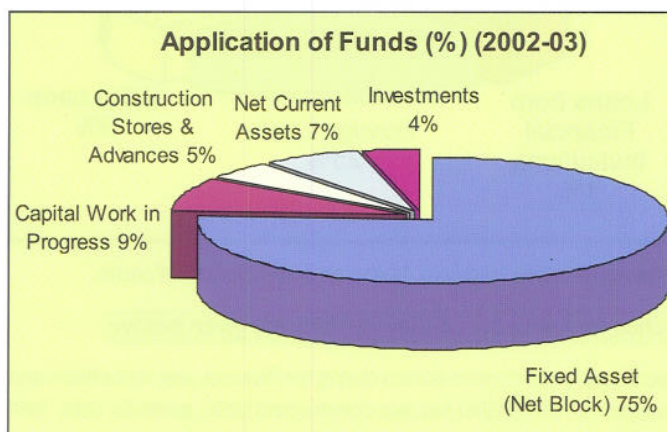
Dividend

Interim dividend to the tune of Rs.50 crore has been paid in March, 2003 and the Directors have recommended a further dividend of Rs.50 crore for the financial year 2002-03 in addition to the interim dividend.

Transfer of Profit to Reserves

Appropriation of profit towards General Reserve amounting to Rs.500 crore and Rs.115.25 crore towards Redemption Reserve has been proposed.

Directors' Responsibility Statement



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

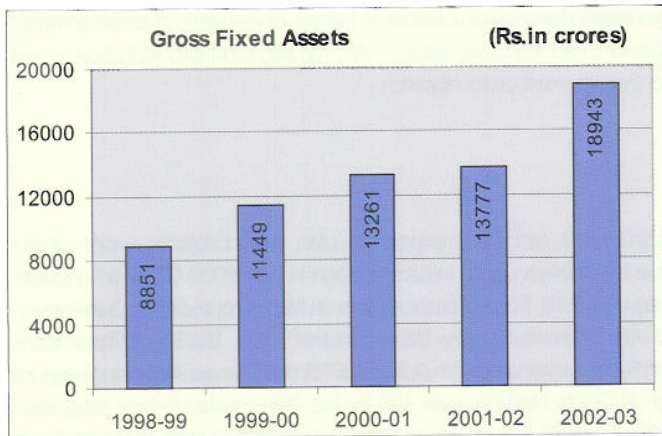
Capital Investment and Fund Mobilisation

The company undertook a capital investment of Rs. 2,561 crore during the financial year 2002-03 and the required funds were tied up from internal resources, bonds/term loan from the domestic sources, grant from Government of India and ECB/Supplier's Credit. A supplier's Credit from Skandinaviska Enskilda Banken, Sweden amounting to SEK 345 million was tied up during the financial year for financing the 1x500 MW Back to Back HVDC project at Vizag associated with East-South Interconnector-III project. Rs. 810 crore was mobilised at competitive rates from the domestic capital market by issue of bonds directly on private placement basis as well as through long term loans. In order to tap the lower interest rates prevalent in the international as well as domestic markets, Foreign loans amounting to approximately GBP 33 million and domestic loans amounting to Rs.250 crore were refinanced during the financial year 2002-03 resulting in net savings of about Rs.37 crore in the interest outgo during the residual life of the loans.

Following up on the refinancing initiative, Govt loans amounting to Rs. 699 crore have been refinanced in July, 2003 by raising bonds directly from the domestic capital market on private placement basis at competitive interest rate resulting in savings of Rs. 235 crore in the interest outgo during the residual life of the loans.

Commercial Effectiveness

The outstanding dues of CPSUs in power sector were securitised in line with Alhuwalia Committee Report by signing the Tripartite Agreement. This should facilitate liquidation of past dues and timely payment of the current dues. In pursuance of the above, a total amount of Rs. 2029.77 crore (including a Surcharge of Rs. 161.37 crore) have been reconciled with all the States for issuance of bonds by RBI under securitisation scheme to settle all the old outstanding dues up to 30.09.2001. Twenty Seven States have signed the Tri-partite agreement against which Rs. 1833.96 crore (including a Surcharge of Rs. 115.38 crore) stands covered for issuance of bonds. Remaining two States shall be signing the Agreement shortly. Out of the twenty seven states, who have signed the agreement, twenty



six States have already signed notification and authorised RBI to issue the bonds. In 1st phase, the bonds related to 17 States amounting to Rs 1274.38 crore have been received on 1st September, 2003 and Bonds from the other nine States are also being received shortly.

Based on the all round performance during FY. 2002-03, POWERGRID is once again poised to achieve the highest rating i.e. "Excellent" under the MoU signed with Ministry of Power.

National Grid

In line with the plan to establish an integrated National Power Grid in the country by the year 2012 with inter-regional power transfer capacity of 30,000 MW various inter-regional transmission schemes were undertaken.

The first phase of National Grid has been accomplished with commissioning of Sasaram HVDC B/B Project in Sept, 2002, 3 months ahead of schedule and at a cost lesser by Rs. 75 crore from the Government approved cost. Capacity addition for the second phase of National Grid has also commenced in F.Y. 2002-03, with commissioning of 2000 MW Talcher-Kolar HVDC bipole link in September, 2002 and 400 kV D/C Raipur-Rourkela link in Mar'03, enhancing inter-regional transfer capacity to 8000 MW from almost non-existent level five years ago. The implementation of 2000 MW, 1400 kms. long Talcher-Kolar HVDC project has the distinction of being the longest HVDC bipole link in Asia. This project was not only commissioned 9 months ahead of schedule but also at a cost, which is Rs. 700 crore less than the Govt. approved cost of Rs. 3,865 crore. Completion of Raipur-Rourkela 400 kV D/C AC interconnection between Eastern and Western Region has led to creation of a synchronised regional grid covering North-Eastern /Eastern/Western Regions with a total installed capacity of more than 50,000 MW stretching from Arunachal Pradesh in North Eastern Region to Goa in Western Region, traversing a distance of more than 2500 Kms.

As a result of the above endeavours, during the year 2002-03, POWERGRID facilitated inter-regional power transfer of 13,000 MU valued at Rs. 2000 crore, about 40% higher compared to that achieved during F.Y. 2001-02. This power would have remained bottled up without the facilities created by POWERGRID. The power transfer has taken place mostly from power surplus Eastern Region to other power deficit regions. This has helped exporting region by way of reduced charges and importing region by mitigating the power shortage. Thus enhancement of inter-regional power transfer added huge economic value.

Encouraging Grid Discipline

Close on the heels of commissioning of Northern Region and Southern Region ULDC schemes, POWERGRID has test-charged the North-Eastern Region ULDC scheme during F.Y. 2002-03. These complex projects involving the state-of-the-art technology have resulted in real time monitoring and control of the grid to enhance its reliability, stability, and security. Further, POWERGRID, in its efforts to ensure delivery of quality power and to encourage healthy grid behaviour, facilitated implementation of Availability Based Tariff (ABT) in all the regions viz. Western Region w.e.f. 1.7.2002, Northern Region w.e.f. 1.12.2002, Southern Region w.e.f. 1.1.2003 and Eastern Region w.e.f. 1.4.2003. ABT has a built in commercial mechanism, to reward proper grid behavior. Commissioning of ULDC and implementation of ABT has significantly improved the vital grid parameter like grid frequency, which was hovering between 48 Hz and 52 Hz most of the time in the previous years, is now generally within the specified band of 49.0 Hz to 50.5 Hz. The voltage profile has also improved. Such improvement has not only increased life expectancy of the equipment

involved in power generation/transmission/distribution but also of electricity driven equipments/appliances at consumer's end. Implementation of ABT has also facilitated reduction in cost of delivered power through merit order dispatch.

New Initiatives

Projects

In line with the company's ambitious expansion plan, new projects, worth about Rs. 3700 crore, have been taken up for implementation in year 2002-03, which include, System strengthening in ER & NR, Series Compensation on Raipur-Rourkela Line, Transmission System associated with Chamera-II Hydro-Electric Project (HEP), Tala-Siliguri Transmission System, Transmission System associated with Dulhasti HEP, Series Compensation on Nagarjuna Sagar-Cuddapah & Gooty-Neelamangala 400 kV line, Transmission System associated with Extension of Tarapur Atomic Power Plant, Transmission System associated with Rihand-II Super Thermal Power Project and Telecom Diversification projects.

In Pursuit of Latest Technology

Keeping pace with the advancement of technology in the sector elsewhere in the world, POWERGRID has attached prime importance to Technology upgradation. It is working in collaboration with 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. It has accorded major thrust in technologies like Flexible AC Transmission System (FACTS), High Temperature Endurance Conductors, Compact Towers, alternate type of tower structures like Guyed Structures, Pole Structures etc. In the field of operation and maintenance, POWERGRID is employing upto date technologies like Hot Line maintenance, Hot line washing, Tuning of Power System Stabilizer (PSS), Removal of closing resistors in the Circuit Breakers, Equipment Condition Monitoring and Residual life Assessment etc to improve the reliability, availability and security of transmission system.

Strategic Alliance

Facilitating infusion of Private capital

JV Route

POWERGRID, in its attempts to encourage private participation in the transmission sector has joined hands with private player, Tata Power for implementation of major transmission lines associated with Tala HEP in Bhutan, costing about Rs. 1,100 crore. The project with route length of around 1200 Kms. covers high capacity transmission lines from Siliguri (West Bengal) to Mandola (Uttar Pradesh) near Delhi constituting a major inter-regional component under second plan of National Grid. Kicking off the Joint venture, Tata Power has already picked up the 51% stake in the Shell Company viz. Tala - Delhi Transmission Limited. This shall be for the first time in the history of Indian Power System that power transmission line shall be built with private participation. Further, such a JV shall pave the way for more such JVs thereby supplementing POWERGRID's resources and efforts and facilitate MOP's initiative for private sector participation.

IPTC route

In addition to JV route, POWERGRID had also identified 400 KV D/C Bina-Nagda-Dehgam Transmission line with an estimated cost of about Rs. 450 crore as the pilot project for implementation by an Independent Power Transmission Company, which shall be privately wholly owned. Evaluation of the proposals submitted by the bidder (only one bidder) is underway. This process is being carried out under regulatory supervision.



Signing of Joint Venture Agreement between POWERGRID and THE TATA POWER

Consultancy Business

There was a quantum jump this year in booking consultancy assignments and revenue realisation besides assisting SEBs. POWERGRID has secured 27 new consultancy assignments with a consultancy fee component of more than Rs. 155 crore, which shall accrue over a period of three years. The corresponding project cost is more than Rs. 1,200 crore.

Some of the major assignments include turnkey execution of 400KV D/C Vishnuprayag – Muzaffarnagar Transmission system with an estimated project cost of Rs. 323 crore on behalf of UPPCL, turnkey execution of various sub-transmission improvement projects in the State of Bihar, IT consultancy project for Delhi Transco.

POWERGRID could also make international foray by booking first international consultancy order from M/s Bhutan Telecom for turnkey execution of Optical Fibre Ground Wire and associated terminal equipments on the existing lines in Bhutan and technical consultancy for execution of National Load Despatch Centre in Bhutan.

Capitalising on New Business opportunities

Convergence with Telecom

To strengthen its position in the competitive telecom business, POWERGRID commissioned Delhi–Lucknow–Mumbai telecom link (2,600 Kms.) in a record time of 9 months. The Delhi–Lucknow–Mumbai telecom link was inaugurated by Hon'ble Prime Minister at Lucknow through Video Conferencing with Hon'ble Chief Minister of Delhi on Delhi side and Hon'ble Governor of Maharashtra on Mumbai end. Agreements were signed with leading telecom players like VSNL, Data Access, Daksh, Convergys, Bharti Telenet, Spectranet, Wipro Spectramind etc for using POWERGRID's telecom network. With few links, the company generated revenue of about Rs. 8.3 crore from its telecom operation during F.Y. 2002-03.

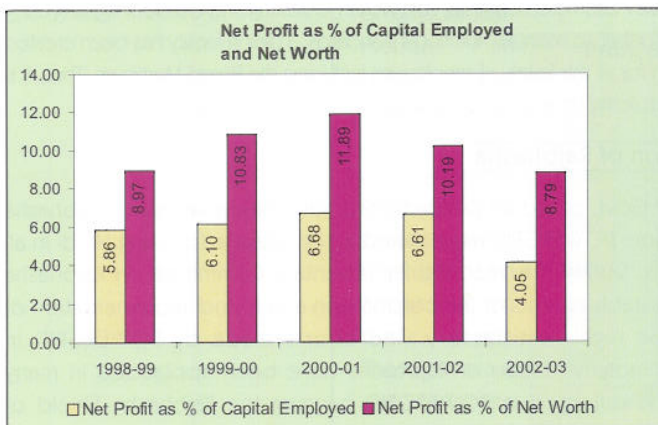
A major boost to POWERGRID's Telecom venture has been received with the GOI approval for the implementation of POWERGRID's nationwide telecom network of about 14000 Kms. at an estimated cost of Rs. 934 crore. This network shall be operational by the year 2004 and shall interconnect about 60 cities including all the State capitals.

Contributing to Distribution Reforms under APDRP

Under Accelerated Power Development & Reforms Program (APDRP) of Ministry of Power, POWERGRID has been assigned the role of Advisor-cum-Consultant (AcC) to lend its managerial and technical expertise for developing 105 Distribution Circles. This

includes 37 Circles, where POWERGRID has a direct role and in the remaining Circles which are being developed by NPC, WAPCOS, ERDA and SEBs, the company is acting as the co-ordinator. At the end of the first phase of the APDRP Program, projects worth Rs. 16,000 crore have been approved, which includes the projects worth Rs. 5587 crore, where POWERGRID is associated.

In addition, POWERGRID has also undertaken implementation of projects under APDRP on turnkey and bilateral basis in the States like Goa & Bihar. Major projects taken up for implementation are Renovation and Modernisation of Distribution systems in the circles



not only at the highest level of the hierarchy but also by multilateral funding agencies like WB & ADB.

Emergency Restoration

POWERGRID, in conscious endeavours to discharge its broader social responsibilities, has taken many steps which include faster restoration of transmission system belonging to State utilities which are damaged during Natural calamities like flood, earthquake, cyclones, etc.

Citizen's charter

POWERGRID formulated its Citizen's Charter providing a visible front of its objectives, mission, commitments, terms of service and its obligation to the stakeholders. This is also intended to provide all information on schemes, plans and practices to users outside the organisation as well as information about accessing the services.

Social justice

The Corporation has faithfully implemented the Govt. directives to take care of the interests of Scheduled Castes, Scheduled Tribes and other Backward Classes. For monitoring the same, POWERGRID has nominated Liaison Officers in the Corporate Centre and Regional Establishments. Appropriate funds have been earmarked for the welfare of the SC/ST community and a number of welfare schemes have been implemented in the SC/ST populated villages near its establishments.

Remaining Vigilant

In its continuous efforts towards bringing about total transparency in management, POWERGRID has gone ahead to promote the culture of zero tolerance. As a part of this effort, POWERGRID has tried to ensure speedy disposal of disciplinary cases by appointing Inquiry Officers from the panel approved by the CVC and by conducting regular and surprise inspections at regular intervals. The Organization received about 42 complaints during the year, out of which 21 complaints were taken up for investigation. Investigations were completed in 19 cases. On the preventive side, 69 inspections were conducted. The CTE's organisation also conducted 5 intensive examinations of the major works of POWERGRID.

In order to create an environment conducive to vigilance activities, significant achievement was made by involving senior management in preventive anti-corruption work. As a part of this effort, a workshop was organised in the Corporate Center in collaboration with IIM, Kolkata on "Ethics and business values", in which about 30 executives from the middle management level participated. Besides this, workshops were organised in the Regions on ethics and vigilance, for about 125 non-vigilance Executives.

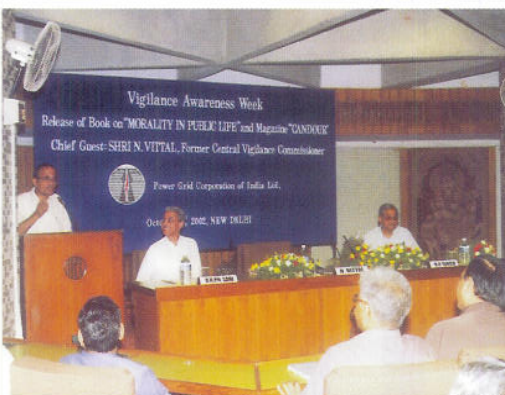
As a part of its social responsibility, POWERGRID also organised one-act play competition, thematic lectures by eminent personalities, debates, essay and slogan competition on the occasion of the Vigilance Awareness Week.

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-I to this Report.

Conservation of energy, technology absorption and foreign exchange earnings and outgo:

As regards the requirements of the disclosures under Section 217(1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption and foreign exchange earnings and outgo, information is given in Annexure-II to this Report.



A view of the celebrations of Vigilance Week

Comptroller and Auditor General's comments:

Review of the accounts for the year ended 31st March, 2003 by the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 along with Directors' comments on the points raised by the C&AG given in Annexure-III to this report.

Corporate Governance

As per clause 49 of the Listing Agreement, a report on the Corporate Governance, forming part of this report, together with the Auditors' Certificate regarding the compliance of the Corporate Governance are given in Annexure-IV to this report.

POWERGRID's Board

During the year, a number of changes took place in the constitution of the Board of Directors. Shri U.C.Misra assumed the charge as Director (Personnel) POWERGRID w.e.f. 1.8.2002 in place of Shri A.I.Bunet who superannuated on 31.07.2002. The Board gratefully acknowledges the invaluable contribution and guidance received from him during his tenure with POWERGRID. Shri A.K.Kutty, JS, MOP and Shri M.Sahoo, JS&FA, MOP joined the Board of POWERGRID w.e.f. 22.7.2002 vice Shri P.I.Suvrathan and Shri R.Ramanujam respectively. Shri V.V.R.K.Rao Member, (G.O.), CEA ceased to be a Director on attaining the age of superannuation w.e.f. 30.06.2002. Shri Shashi Shekhar, JS, MOP joined the Board of POWERGRID w.e.f. 17.6.2003 in place of Shri A.K.Kutty, JS, MOP who ceased to be a Director of POWERGRID Board. The Board of Directors also place on record its deep appreciation for the contribution and guidance received from S/Shri V.V.R.K.Rao, R.Ramanujam, P.I.Suvrathan and A.K.Kutty. Appointment of non-official part-time Directors whose place fell vacant on 26.7.2001 is awaited.

Acknowledgements

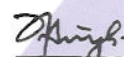
The Directors place on record their grateful thanks for the guidance and cooperation extended all through by Ministry of Power, Central Electricity Authority, Ministry of Home Affairs, Central Electricity Regulatory Commission, Dept. of Economic Affairs, Ministry of Finance, Planning Commission and other concerned Govt. departments/agencies at the Central and State level without whose active support, the achievements by the Corporation during the year under review would not have been possible. Moreover, the Board extends its sincere thanks to the customers of the corporation, the State Electricity Boards/ Corporations for their endeavour to pay the transmission charges in spite of their financial hardships.

The Directors take this opportunity to thank the Principal Director of Commercial Audit and Ex-Officio Member Audit Board-III for the cooperation during the year. Your Directors also acknowledge the valuable suggestions and guidance received from the statutory auditors viz. M/s. Hingorani M & Co., M/s. Venugopal & Chenoy and M/s D.P. Sen & Co. during the audit of accounts of the company for the year under review.

Your Directors further wish to place on record their sincere thanks to the various national/international Financial Institutions/ Banks/ Credit Rating Agencies for the continued trust and confidence reposed by them by rendering the continuous timely assistance and patronage for successful implementation of the various projects by the company.

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

For and on behalf of the Board
POWER GRID CORP. OF INDIA LTD.



(R.P. SINGH)

Chairman & Managing Director

Date: 29.09.2003.

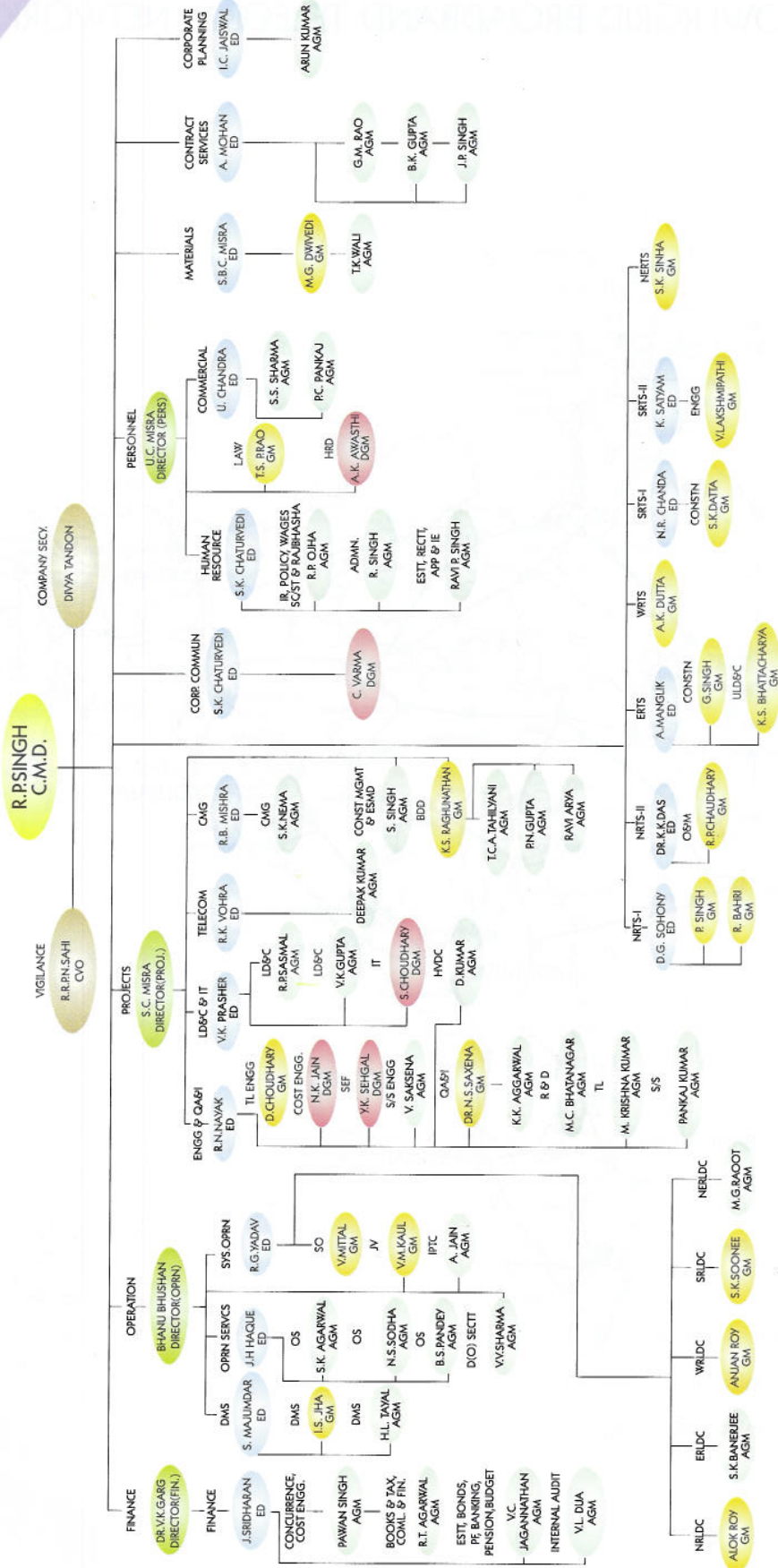
Place: New Delhi.





पावरग्रिड

POWERGRID ORGANISATION CHART



Accounts





**FIVE YEAR SUMMARY
FINANCIAL POSITION**

(Rupees in lacs)

	2002-03	2001-02	2000-01	1999-00	1998-99
(A) WHAT THE COMPANY OWNED :					
Gross Fixed Assets	1894330	1377679	1326092	1144955	885068
Less: Depreciation	434456	387090	347654	277064	217531
Net Fixed Assets	1459874	990589	978438	867891	667537
Capital Work-in-Progress & Construction					
Stores & Advances	259258	587498	315345	325116	430667
Investments	73908	73903	39747	15147	
Current Assets, Loans & Advances	311273	244218	224735	204215	162746
TOTAL (A)	2104313	1896208	1558265	1412369	1260950
(B) WHAT THE COMPANY OWED :					
Borrowings From:					
-Govt. of India	165997	177243	185258	185802	165026
-Financial Institutions	24793	25449	15605	15760	1326
-Foreign Loans	481571	356707	286865	279119	266526
-Cash Credit			2	748	602
-Other Loans/Bonds	471967	432952	318486	250008	219628
Current Liabilities & Provisions	139819	158326	91486	87636	71434
Deferred Tax Liability	23286	19403			
Advance against Depreciation	20912	15719			
TOTAL (B)	1328345	1185799	897702	819073	724542
(C) NET WORTH OF THE COMPANY REPRESENTED BY :					
(i) Equity capital (including Deposit)	307406	306781	306388	304954	304154
(ii) Free Reserves and Surplus	424611	369502	320604	250801	192059
(iii) Less: Misc. Exp. to the extent not written off	775	572	2283	827	675
TOTAL (C)	731242	675711	624709	554928	495538
(D) COMMITTED RESERVES					
i) Capital Reserves	11206	11206	11206	11206	11206
ii) Grants in Aid	33520	23492	24648	27162	29664
TOTAL (D)	44726	34698	35854	38368	40870
TOTAL (B+C+D)	2104313	1896208	1558265	1412369	1260950
(E) CAPITAL EMPLOYED					
(Net Fixed Assets+Net Current Assets)	1587130	1041359	1111687	984470	758849
(F) RATIOS					
Net Profit to Capital Employed (%)	4.05	6.61	6.68	6.10	5.86
Net Profit to Net Worth (%)	8.79	10.19	11.89	10.83	8.97
Net Worth per Rupee of Paid-up Capital (in Rs.)	2.38	2.20	2.04	1.82	1.63
Debt/Equity Ratio	61:39	59:41	56:44	57:43	57:43
Liquidity Ratio	1.69:1	1.26:1	2.46:1	2.33:1	2.28:1

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**FIVE YEAR SUMMARY
OPERATING RESULTS**

(Rupees in lacs)

	2002-03	2001-02	2000-01	1999-00	1998-99
(A) EARNED FROM :					
Transmission Charges	195748	206328	231764	178950	157701
Sale of Power	12645	17676	16701	17780	13259
Consultancy & other income	44881	21548	19797	15657	6066
Total Earnings	253274	245552	268262	212387	177026
(B) PAID & PROVIDED FOR :					
Purchase of Power	12643	17615	16683	17777	13305
Employees Remuneration & Benefits	19052	17530	21738	14258	10601
Transmission Expenses	5926	4984	5832	4323	4696
Administration Expenses	9263	8692	8107	7841	6578
Other Expenses(Including Prior Period Adjustment)	835	1358	1354	-151	1554
Deferred Revenue Expenditure	111	96	525	178	233
Provisions	13960	10539	18	315	155
Total Expenditure (Excluding Depreciation & interest)	61790	60814	54257	44541	37122
Profit before Depreciation & Interest	191484	184738	214005	167846	139904
Depreciation	46259	39409	71712	57763	52114
Interest & Finance Charges	70041	65804	61068	42019	38087
Net Profit after Interest & Depreciation but before Tax	75184	79525	81225	68064	49703
Provision for tax	7042	7223	6976	7976	5261
Net Profit after MAT	68142	72302	74249	60088	44442
Deferred Tax	3883	3440			
Profit after Deferred Tax	64259	68862			
Dividend	10000	5066	5000	2000	2000



Revenue Expenditure on Social Overheads for the year ended 31st March, 2003

(Rupees in lacs)

Sl. No.	Particulars	Township	Education & School Facilities	Medical Facilities	Subsidised Transport	Social & Cultural Activities	Subsidised Canteen	Total	Previous Year
1.	Payment to Employees		181	1471	111	77	363	2203	1540
2.	Materials Consumed	35						35	33
3.	Rates & Taxes	29						29	30
4.	Welfare Expenses	143	49	1	98	544	56	891	850
5.	Others including Repair & Maintenance	283			3			286	241
6.	Depreciation	350						350	340
7.	Sub-total (1 to 6)	840	230	1472	212	621	419	3794	3034
8.	Less: Recoveries	86						86	102
9.	Net Expenditure (7-8)	754	230	1472	212	621	419	3708	2932
10.	Previous year	622	168	1092	141	564	345	2932	

ACCOUNTING POLICIES

1. GRANTS - IN - AID

Grants-in-aid received from Central Government or other authorities towards capital expenditure for Projects and betterment of transmission systems are shown as grants-in-aid under 'Reserves and Surplus' till the utilisation of grant. However, grants received for specific depreciable assets are shown under 'Reserves and Surplus' while the assets are under construction. On capitalisation of assets, such grants-in-aid are treated as deferred income and recognised in the Profit and Loss Account over the period and in the proportion in which depreciation on these assets is provided.

2. FIXED ASSETS

- 2.1 In the case of commissioned assets, deposit works/cost-plus contracts where final settlement of bills with contractors is yet to be effected, capitalisation is made on provisional basis subject to necessary adjustments in the year of final settlement.
- 2.2 Assets and Systems common to more than one Transmission System are capitalised on the basis of technical estimates and /or assessments.
- 2.3 The cost of land includes provisional deposits, payments/liabilities towards compensation, rehabilitation and other expenses but does not include the deposits/advances/expenditure incurred wherever possession of land is not taken.
- 2.4 Expenditure on levelling, clearing and grading of land is capitalised as part of cost of the buildings.
- 2.5 Capital expenditure on assets not owned by the company, reflected as a distinct item in Capital Work-in-Progress, pending completion, is thereafter shown as a distinct item in fixed assets.

3. MANDATORY SPARES

- 3.1 Mandatory spares in the nature of sub-station equipments /capital spares i.e. stand-by/service/rotational equipment and unit assemblies, either procured along with the equipments or subsequently, are capitalised and depreciation charged as per relevant rates. Mandatory spares of consumable nature and transmission line items are treated as inventory after commissioning of the line.
- 3.2 Insurance Spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the related plant & machinery.

4. EXPENDITURE DURING CONSTRUCTION

- 4.1
 - i) Corporate Office expenses, chargeable to Revenue, are allocated to Regional Load Despatch Centres (RLDCs) and Accelerated Power Development and Reform Programme (APDRP) in the proportion the RLDC O&M and APDRP expenses bear to the O&M expenditure of the Company (excluding Corporate Office expenses).
 - ii) Regional Office expenses are allocated to Accelerated Power Development and Reform Programme (APDRP) in the proportion the APDRP expenses bear to the O&M expenditure of the Region (excluding Regional Office expenses).
 - iii) Expenses of Corporate Office, as reduced by the amount allocated to APDRP and RLDCs, common to operation and construction activities, are allocated to Profit and Loss Account and Incidental Expenditure during Construction in the proportion of Transmission Income to Annual Capital Outlay.
 - iv) Expenses of the projects, common to operation and construction activities, are allocated to Profit and Loss Account and Incidental Expenditure during Construction in the proportion of Transmission Income to Accretion to Capital Work-in-Progress.
 - v) Consultancy expenditure incurred for Telecom Business is allocated to different links based on revised estimated cost submitted to Govt. for approval. Other expenditure is allocated as per the above accounting policies.
 - vi) The Transmission system is capitalised when it is ready for intended use. However, in case of delay in commercial operation/ earning of revenue, the revenue expenditure (excluding interest charges) incurred during the intervening period are treated as Deferred Revenue Expenditure (DRE) and amortised over a period of 5 years from the year of commercial operation / earning of revenue. The depreciation charge is postponed till the year of commercial operation.



Balance Sheet As At 31st March, 2003

(Rupees in lacs)

	Schedule No.	RLDC	Transmission & others	As at 31st March, 2003	As at 31st March, 2002
SOURCES OF FUNDS					
Shareholders' Fund					
Capital	1		307406	307406	306781
Reserves and Surplus	2	3514	465823	469337	404200
		<u>3514</u>	<u>773229</u>	776743	710981
Loan Funds					
	3				
Secured Loans			663108	663108	546210
Unsecured Loans			481220	481220	446141
			<u>1144328</u>	1144328	992351
Advance Against Depreciation	3A		20912	20912	15719
Deferred Tax liability (Net)			23286	23286	19403
Inter Unit Accounts (RLDC)		2764	-2764		
TOTAL		<u>6278</u>	<u>1958991</u>	<u>1965269</u>	<u>1738454</u>
APPLICATION OF FUNDS					
Fixed Assets					
	4				
Gross Block		551	1893779	1894330	1377679
Less: Depreciation		357	434099	434456	387090
Net Block		194	1459680	1459874	990589
Capital Work-in-Progress	5		169679	169679	363571
Construction Stores and Advances	6		89579	89579	223927
		<u>194</u>	<u>1718938</u>	1719132	1578087
Investments	7		73908	73908	73903
Current Assets, Loans & Advances					
	8				
Inventories			16069	16069	17068
Sundry Debtors		4904	159597	164501	160547
Cash and Bank Balances		586	11250	11836	20987
Other Current Assets		234	11416	11650	7839
Loans and Advances		1241	105976	107217	37777
		<u>6965</u>	<u>304308</u>	311273	244218
Less: Current Liabilities & Provisions	9				
Current Liabilities		858	115532	116390	136500
Provisions		23	23406	23429	21826
		<u>881</u>	<u>138938</u>	139819	158326
Net Current Assets		<u>6084</u>	<u>165370</u>	171454	85892
Miscellaneous Expenditure (to the extent not written off or adjusted)	10		775	775	572
TOTAL		<u>6278</u>	<u>1958991</u>	<u>1965269</u>	<u>1738454</u>
Contingent Liabilities	11	254	247497	247751	292771
Notes on accounts	18				

Schedule 1 to 18 and Accounting Policies form an integral part of Accounts

For and on behalf of the Board

(Divya Tandon)
Company Secretary

(Dr.V.K. Garg)
Director (Finance)

(R.P. Singh)
Chairman & Managing Director

As per our report of even date

For Hingorani M. & Co.
Chartered Accountants
(Pardeep Kumar)
Partner

For Venugopal & Cheny
Chartered Accountants
(P.V. Sri Hari)
Partner

For D.P. Sen & Co.
Chartered Accountants
(A.K. Sinha)
Partner

Place: Gurgaon
Date: 27th June, 2003

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Profit and Loss Account for the year 31st March, 2003

(Rupees in lacs)

	Schedule No.	RLDC	Transmission & others	For the year ended March, 2003	For the year ended March, 2002
INCOME					
Transmission Income			201295	201295	222047
Less: Advance Against Depreciation			5547	5547	15719
			195748	195748	206328
Sale of Electric Power (Note No.16(a) -Schedule 18)			12645	12645	17676
Consultancy, Project Management and Supervision Fees			1907	1907	1185
Other Income	12	3024	39950	42974	20363
TOTAL		3024	250250	253274	245552
EXPENDITURE					
Purchase of Electric Power			12643	12643	17615
Transmission and Administration Expenses	13	2229	45365	47594	41777
Depreciation		79	46467	46546	39639
		2308	91832	94140	81416
Less: a) Incidental expenditure during construction transferred to Capital Work-in-progress	16A		13394	13394	10665
b) Recoverable from MOP on account of APDRP			669	669	139
c) Transferred to Deferred Revenue Expenditure			246	246	136
			14309	14309	10940
		2308	77523	79831	70476
Deferred Revenue Expenditure Written Off Provisions	14		111	111	96
Loss on Disposal/Write off of Fixed assets			13960	13960	10539
Corporate Expenses allocated to RLDCs		1	122	123	90
		257	-257		
TOTAL		2566	104102	106668	98816
Profit before Interest and Finance Charges		458	146148	146606	146736
Interest and Finance Charges	15	40	107441	107481	97044
Less: Interest & Finance Charges transferred to Capital Work-in-progress	16B		37440	37440	31240
		40	70001	70041	65804
Profit for the year before tax, Prior period Adjustments and Extraordinary items		418	76147	76565	80932
Less: Prior Period Expenditure/(Income)	17	22	1445	1467	1392
Less: Incidental Expenditure during Construction			86	86	-15
		22	1359	1381	1407
Prior Period Expenditure/(Income) (Net)		396	74788	75184	79525
Profit Before Tax			7140	7140	7223
Less: Provision for Taxation - Current Year - Earlier Years			-98	-98	
Profit after Current Tax		396	67746	68142	72302
Less: Provision for Deferred Tax			3883	3883	3440
Profit after Deferred Tax		396	63863	64259	68862
Add: Balance of Profit brought forward				9559	2639
Add: Bond Redemption Reserve Written Back				5303	27393
Total Amount Available for Appropriation				79121	98894
Appropriation					
Interim Dividend Paid				5000	
Proposed Final Dividend				5000	5066
Provision for Dividend Tax				641	
Transfer to Bonds Redemption Reserve				11525	39269
Transfer to General Reserve				50000	45000
Balance of Profit carried over to Balance Sheet				6955	9559
				79121	98894

For and on behalf of the Board

(Divya Tandon)
Company Secretary

(Dr.V.K. Garg)
Director (Finance)

(R.P. Singh)
Chairman & Managing Director

As per our report of even date

For Hingorani M. & Co.
Chartered Accountants

For Venugopal & Chenoy
Chartered Accountants

For D.P. Sen & Co.
Chartered Accountants

(Pardeep Kumar)
Partner

(P.V. Sri Hari)
Partner

(A.K. Sinha)
Partner

Place: Gurgaon
Date: 27th June, 2003



Schedule 3 - Loan Funds (Contd.)

(Rupees in lacs)

Description	As at 31st March, 2003	As at 31st March, 2002
Taluka Kaparada in District Valsad Gujarat and mortgage and hypothecation on asset of Kayamkulam & Ramagundam Hyderabad Transmission System.		
BONDS XIII SERIES		
a) 8.63% Taxable Secured, Redeemable, Non-cumulative, non-convertible Bonds of Rs. 1.5 crores each consisting of 12 STRPPs of Rs. 12.50 lakh each, redeemable at par in twelve equal annual instalments w.e.f 31.07.2006. Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Kishenpur Moga & Dulhasti Contingency Transmission System.	81000	
b) 7.85% Taxable Secured, Redeemable, Non-cumulative, non-convertible Bonds of Rs 1.5 crores each consisting of 06 STRPPs of Rs 25 lakh each, redeemable at par in six equal annual instalments w.e.f 31.07.2003. Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of NLC Lines Trichy, Neyveli-Bahoor Line, Neyveli-Trichy Transmission System.	25050	
	106050	
Loan From Life Insurance Corporation of India Secured by equitable mortgage of immovable properties of Kathalguri Transmission System	293	449
Loan From Indian Overseas Bank Secured by a floating charge on the fixed assets of the Company	10000	10000
Loan from State Bank of India Secured by first pari passu charge on fixed assets of the Company		25000
Loan from ICICI Secured by first pari passu charge over the assets of the Company	15000	15000
Loan from Corporation Bank Secured by a floating charge on the fixed assets of the Company	10000	10000
Loan from Punjab National Bank Secured by a floating charge on the fixed assets of the Company	20000	20000
Loan-II from Punjab National Bank Secured by a floating charge on the fixed assets of the Company	30000	30000
	50000	50000
Loan From Oriental Bank of Commerce Secured by a floating charge on the fixed assets of the Company	25000	25000
Bank of India, Cayman Island Secured by a Floating charge on the immovable properties of the company	47830	48960
Loan from International Bank for Reconstruction and Development Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhayachal and Rihand Transmission system and further guaranteed by Government of India	78345	76838
Loan from International Bank for Reconstruction and Development for PSDP-II Secured by pari passu interest in the liens created on the assets	62338	29191

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Schedule 3 - Loan Funds (Contd.)

(Rupees in lacs)

Description	As at 31st March, 2003	As at 31st March, 2002
as security for the debts and further guaranteed by Government of India		
West Merchant Bank, UK		14970
(Guaranteed by consortium of Bankers, which is secured by hypothecation of Plant and Machinery of Jeypore-Gajuwaka HVDC transmission system and further to be secured by Equitable Mortgage of immovable properties of Indravati Sub-station)		
Total Secured Loans	<u>663108</u>	<u>546210</u>
UNSECURED LOANS		
BONDS XII SERIES		
9.70% Taxable secured Redeemable non-cumulative, non-convertible Bonds of Rs. 1.50 crores consisting of 12 STRPPs of Rs 12.50 lacs each redeemable at par in twelve equal annual instalments w.e.f 28.03.2006- To be secured by creation of charges on the assets of the Corporation.		18450
Loan from Power Finance Corporation	9500	10000
Loan from Government of India	165997	177243
Syndicated loans from ING Bank, Japan		7390
Commerz Bank		1613
Bank of India, Tokyo		4740
Kreditanstalt Fur Wiederaufbau, Germany	93182	51120
State Bank of India, London	13216	
Bank of Baroda, London	11802	
Loans Guaranteed by Govt of India		
a. West Merchant Bank UK & State Bank of India, London		13673
b. Natexis Banque (Credit National), France	12572	10398
c. Credit Agricole Indosuez (Banque Indosuez)	5742	5804
d. Asian Development Bank (1405 - IND)	106853	103364
e. Syndicated Loan from Industrial Bank of Japan & other Japanese Banks/Financial Institutions		1406
f. Overseas Economic Corporation Fund (JBIC)	4718	2188
g. European Investment Bank	13666	12275
h. Asian Development Bank (1764-IND)	31307	11386
	<u>174858</u>	<u>160494</u>
PENDING FINALISATION OF TRIPARTITE AGREEMENT/BACK TO BACK AGREEMENT AMOUNT PAYABLE TO GOVERNMENT OF INDIA ON ACCOUNT OF		
A. NTPC Purchase Consideration		
Loans from		
a. Syndicated loan from Industrial Bank, Japan	12665	11711
b. Syndicated loan from Sumitomo Bank		2592
Sub-total	12665	14303
B. NHPC Purchase Consideration		
Export Development Corporation, Canada		788
Total Unsecured Loans	<u>481220</u>	<u>446141</u>
Grand Total (Secured + Unsecured)	<u>1144328</u>	<u>992351</u>
Due for repayment/redemption within one year	65178	85702



Schedule 4F - Fixed Assets - RLDC

(Rupees in lacs)

Description	Gross Block				Depreciation				Net Block	
	As at 31/03/2002	Additions during the year	Adjustments during the year	As at 31/03/2003	As at 31/03/2002	For the year	Adjustments during the year	As at 31/03/2003	As at 31/03/2003	As at 31/03/2002
BUILDINGS										
Others						5	5			
Temporary Erection	10			10	9			9	1	1
Plant & Machinery	44	9		53	17	3		20	33	27
Constrn. and Workshop equipment	1			1					1	1
Electrical Installation		1		1					1	
Vehicles	2			2		1		1	1	2
Furniture, Fixtures & Other Equipment	156	7	3	160	60	9	1	68	92	96
EDP & WP Machines	297	18	1	314	203	49	1	251	63	94
Laboratory and Workshop Equipment	10			10	7	1		8	2	3
TOTAL (F)	520	35	4	551	296	68	7	357	194	224

Schedule 4 - Fixed Assets

(Rupees in lacs)

Description	Gross Block				Depreciation				Net Block	
	As at 31/03/2002	Additions during the year	Adjustments during the year	As at 31/03/2003	As at 31/03/2002	For the year	Adjustments during the year	As at 31/03/2003	As at 31/03/2003	As at 31/03/2002
LAND										
Freehold	14057	1463	1707	13813					13813	14057
Leasehold	2937	51	446	2542	202	23	75	150	2392	2735
Unclassified	18			18					18	18
Roads, Bridges, Culverts & Helipads	4136	1213	17	5332	714	84	-1	799	4533	3422
BUILDINGS										
Main Plant	8689	3387	-1126	13202	2518	319	-458	3295	9907	6171
Others	18692	2917	-236	21775	3469	401	-1	3871	17904	15153
Temporary Erection	516	64	-2	582	400	23		423	159	116
Water Supply Drain Sewerage	2858	838	-3	3699	586	67		653	3046	2272
Plant & Machinery	1314011	475813	-14235	1804059	372375	44525	-460	417360	1386699	941636
Constrn. and Workshop equipment	1301	124	-23	1448	545	53		598	850	756
Electrical Installation	1848	338	-2	2188	927	75		1002	1186	921
Vehicles	334	22	10	346	253	12	6	259	87	81
Aircraft/Aero engines Boats	2			2	2			2		
Furniture, Fixtures & Other equipment	3722	414	57	4079	2061	172	44	2189	1890	1661
EDP & WP Machines	2580	15418	-77	18075	1630	621	-22	2273	15802	950
Laboratory and workshop Equipment	1870	933		2803	1254	128	1	1381	1422	616
Hospital Equipment	1			1	1			1		
School Equipment	3			3	2			2	1	1
Capital Exp. on Assets not owned by the Company	174	189		363	151	43	-4	198	165	23
Grand Total	1377679	503184	-13467	1894330	387090	46546	-820	434456	1459874	990589
Previous Year	1396092	45089	-6498	1377679	347654	39639	203	387090	990589	

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Schedule 5A - Capital Work In Progress - Transmission Lines

(Rupees in lacs)

Description	Balance As at 31.03.2002	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2003
Plant & Machinery (including associated civil works)					
a. On own A/C & on supply- cum-erection contract	261048	158538	34880	261934	122772
b. Others		11		11	
Consultancy & Supervision Charges	3317	206	691	32	2800
Difference in Exchange on foreign Loans	289	4412	4687	77	-63
TOTAL (A)	264654	163167	40258	262054	125509

Schedule 5B - Capital Work In Progress - Sub-Stations

(Rupees in lacs)

Description	Balance As at 31.03.2002	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2003
Development of land	650	392	492	85	465
Roads, bridges, culverts & helipads	601	702	103	941	259
Buildings (others)	1819	2215	269	3571	194
Temporary erection	8	28	3	32	1
Water supply drainage and sewerage	48	621		619	50
Plant & Machinery (including associated civil works)					
a. On own account & on supply-cum-erection contract	83906	176938	5847	227136	27861
b. Others					
Electrical installations	157	207	13	169	182
Furniture, Fixtures & other office equip.	42	34		66	10
Survey, Investigation, Consultancy & Supervision Charges	2386	84	1718	2	750
Difference in Exchange on foreign Loans	534	19281	18878	780	157
Capital expenditure on assets not owned by Company	212	3	20	189	6
TOTAL (B)	90363	200505	27343	233590	29935

Schedule 5C - Capital Work In Progress - Office Complex

(Rupees in lacs)

Description	Balance As at 31.03.2002	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2003
Buildings (others)	2623	3692	1	914	5400
Temporary erection	5	2		5	2
Water supply drainage and sewerage	2				2
Furniture Fixtures & Other office equipment	1	23		1	23
TOTAL (C)	2631	3717	1	920	5427

Schedule 5D - Capital Work In Progress - Township

(Rupees in lacs)

Description	Balance As at 31.03.2002	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2003
Development of land	9	11		8	12
Roads, bridges, culverts & helipads	98	51	-102	103	148
Buildings (others)	2093	3276		1753	3616
Water supply drainage and sewerage	179	109		160	128
Electrical Installations	55	144		115	84
TOTAL (D)	2434	3591	-102	2139	3988



Schedule 8 - Current Assets , Loans and Advances

(Rupees in lacs)

Description	RLDC Transmission & others		As at 31st March, 2003	As at 31st March, 2002
Current Assets				
1. Inventories				
(Valued at cost as certified by Management)				
Loose tools	59		59	42
Consumable stores	51		51	44
Components, Spares & other spare parts	15973		15973	16996
	<u>16083</u>		<u>16083</u>	<u>17082</u>
Less: Provision for Shortages	14		14	14
	<u>16069</u>		<u>16069</u>	<u>17068</u>
Inventories includes stores in transit Rs 1 Lac (Previous year Rs. 1 Lac)				
2. Sundry Debtors				
Debts Outstanding exceeding Six Months				
Considered Good	2336	75368	77704	70769
Considered Doubtful		<u>10913</u>	<u>10913</u>	<u>2171</u>
	<u>2336</u>	<u>86281</u>	<u>88617</u>	<u>72940</u>
Others				
Considered Good	2568	84229	86797	89778
Considered Doubtful		<u>2907</u>	<u>2907</u>	
	<u>4904</u>	<u>173417</u>	<u>178321</u>	<u>162718</u>
Less: Provision for bad & doubtful debts		<u>13820</u>	<u>13820</u>	<u>2171</u>
	<u>4904</u>	<u>159597</u>	<u>164501</u>	<u>160547</u>
3. Cash & Bank Balance				
Cash, Stamps and Imprest	1	16	17	15
Drafts/Cheques in Hand		5316	5316	1491
Remittance in transit	11	142	153	871
Balance with scheduled banks-				
-In Current Accounts	228	4101	4329	16364
-In Term Deposits (Note No.10 (b) - Schedule 18)	<u>346</u>	<u>1675</u>	<u>2021</u>	<u>2246</u>
	<u>586</u>	<u>11250</u>	<u>11836</u>	<u>20987</u>
4. Other Current assets				
Public Deposit Account with Govt. of India		128	128	100
Interest accrued on Public Deposit Account		2772	2772	1427
Interest accrued on Investments (Bonds)		9814	9814	5847
Others	<u>234</u>	<u>4269</u>	<u>4503</u>	<u>3825</u>
	<u>234</u>	<u>16983</u>	<u>17217</u>	<u>11199</u>
Less: Provisions for Doubtful Interest on Investment		<u>5567</u>	<u>5567</u>	<u>3360</u>
	<u>234</u>	<u>11416</u>	<u>11650</u>	<u>7839</u>
Loans and Advances				
a) Loans				
- Employees	827	10875	11702	10600
- Others		<u>11</u>	<u>11</u>	<u>43</u>
	<u>827</u>	<u>10886</u>	<u>11713</u>	<u>10643</u>
b) Recoverable from Subs. of Sch. Banks				
Less: Provision for bad and doubtful Recoverable		9973	9973	9973
		<u>5000</u>	<u>5000</u>	<u>5000</u>
		<u>4973</u>	<u>4973</u>	<u>4973</u>
c) Lease Receivables				
		69948	69948	

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Schedule 8 - Current Assets , Loan and Advances (Contd.)

(Rupees in lacs)

Description	RLDC Transmission & others		As at 31st March, 2003	As at 31st March, 2002
d) Advances				
Advances recoverable in cash or in kind or for value to be received				
Contractors & Suppliers (Including Material issued on loan)	277	277		158
Employees	39	940	979	1071
Claims recoverable		387	387	538
Others	364	4722	5086	4033
	403	6326	6729	5800
Less: Provision for bad and doubtful Advances and Claims		328	328	243
	403	5998	6401	5557
Balance with Customs, Port Trust and other authorities	11	555	566	1022
Advance Tax & TDS		13616	13616	15582
	11	14171	14182	16604
	1241	105976	107217	37777
TOTAL	6965	304308	311273	244218
Particulars of Loans and Advances				
Secured	628	9256	9884	6025
Unsecured considered good	613	96720	97333	31752
Considered doubtful		5328	5328	5243
	1241	111304	112545	43020
Less: Provision for Bad & Doubtful Claims		5328	5328	5243
	1241	105976	107217	37777
Due from Directors & Officers of the company				
Directors		5	5	2
Officers	56	744	800	873
Directors Maximum Amount		5	5	7
Officers Maximum Amount	67	868	935	919



Schedule 13 - Transmission, Administration and other Expenses

(Rupees in lacs)

Description	RLDC Transmission & others		For the year ended 31st March, 2003	For the year ended 31st March, 2002
Employee Cost				
Salaries, wages, allowances & benefits	1948	19350	20598	18607
Contribution to provident and other funds	108	3400	3508	2413
Welfare expenses	173	3543	3716	3108
	<u>1529</u>	<u>26293</u>		<u>27822</u>
Transmission Expenses				
Repair & Maintenance				
Buildings	19	707	726	564
Plant & Machinery				
Sub Station	44	1893	1937	1497
Transmission lines		821	821	497
Construction equipment		12	12	3
Others	16	207	223	251
	<u>60</u>	<u>2933</u>	<u>2993</u>	<u>2108</u>
Power charges	157	2615	2772	2595
Less: Recovery from contractors		21	21	1
	<u>157</u>	<u>2594</u>	<u>2751</u>	<u>2594</u>
Stores consumed		1	1	2
Water charges	8	15	23	22
Right of Way charges (Telecom)		50	50	22
	<u>244</u>	<u>6300</u>	<u>6544</u>	<u>5312</u>
Administration Expenses				
Training & Recruitment expenses	2	463	465	272
Less: Fees for training and application				7
	<u>2</u>	<u>463</u>	<u>465</u>	<u>265</u>
Legal expenses		259	259	176
Professional charges (Including TAVDA)	7	168	175	126
Consultancy expenses (Including TAVDA)		111	111	257
Communication expenses	184	611	795	990
Travelling & Conv. exp. (excluding foreign travel)	110	2941	3051	3022
Foreign travel		167	167	392
	<u>110</u>	<u>3108</u>	<u>3218</u>	<u>3414</u>
Tender expenses		95	95	125
Less: Sale of tenders		62	62	82
		<u>33</u>	<u>33</u>	<u>43</u>
Payment to Statutory Auditors				
Audit Fees		7	7	5
Tax Audit Fees		2	2	2
In Other Capacity		9	9	4
Out of pocket Expenses		20	20	22
		<u>38</u>	<u>38</u>	<u>33</u>
Advertisement and publicity	1	305	306	214
Printing and stationery	12	258	270	262
EDP hire and other charges	13	65	78	69
Entertainment expenses	3	82	85	80
Brokerage & Commission		13	13	6
Donations		3	3	5
Research & Development expenses		16	16	6
Rent	4	637	641	509
Construction stores written off				3
Miscellaneous expenses	25	1020	1045	980
Security Expenses	59	1325	1384	1271
Hiring of Vehicle	21	1590	1611	1421
Insurance	1	2270	2271	1808
Rates and taxes	9	323	332	154
Non operating expenses		6	6	203
Expenses for Guest House	6	72	78	45
Less : Income from Guest House	1	4	5	3
	<u>5</u>	<u>68</u>	<u>73</u>	<u>42</u>
	<u>456</u>	<u>12772</u>	<u>13228</u>	<u>12337</u>
TOTAL	2229	45365	47594	41777
Stores consumption included in repair and maintenance	2	906	908	608

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Schedule 14 - Provisions

(Rupees in lacs)

	For the year ended 31st March, 2003	For the year ended 31st March, 2002
Shortage in Stores	1	8
Doubtful debts loans and advances	11739	7171
Doubtful Interest on Investments	2207	3360
Doubtful Advances for Construction	13	
TOTAL	13960	10539

Schedule 15 - Interest and Finance Charges

(Rupees in lacs)

Description	RLDC Transmission & others		For the year ended 31st March, 2003	For the year ended 31st March, 2002
Interest on Loan from				
Government of India	26797	26797		28677
Cash Credit availed from Sch. Banks				53
Indian Banks, Financial Institutions & Corporations	15358	15358		16301
Foreign Banks and Financial Institutions	19589	19589		16026
Secured/Unsecured redeemable Bonds	34531	34531		25764
Others	659	659		26
	96934		96934	86847
Finance Charges				
Rebate to Customers	34	5288	5322	4180
Commitment charges		913	913	869
Other finance charges (including FERV)	6	4306	4312	5148
	40	10507	10547	10197
TOTAL	40	107441	107481	97044



SCHEDULE 18 : NOTES ON ACCOUNTS

1. The Transmission Systems situated in Jammu and Kashmir associated with National Hydroelectric Power Corporation Ltd. (NHPC) have been taken over by the Company w.e.f. 01.04.93 as mutually agreed upon with NHPC but regularisation is pending for completion of legal formalities.
2. The Regional Load Despatch Centres (RLDCs) of Central Electricity Authority were transferred to the Company (alongwith associated manpower) during the earlier years as per the orders of Ministry of Power, Government of India. The Assets of RLDCs are used by the company pending transfer of ownership and determination of cost of assets so taken over.
3.
 - a) The land owned by the Company has been classified into freehold and leasehold to the extent possible based on available documentation and the balance has been shown as unclassified.
 - b) In certain cases, the conveyancing of title to the freehold land and execution of lease agreement (value not ascertained) in favour of the company is pending for completion of legal formalities.
 - c) Leasehold land includes Rs. 764 lacs (previous year Rs.764 lacs) for land acquired in Katwaria Sarai, New Delhi. As the land is acquired on perpetual lease and does not have a limited useful life, no depreciation has been charged.
 - d) Value of buildings include Rs. 722 lacs (previous year Rs.722 lacs) for 28 flats at Mumbai, for which registration in favour of the company is pending.
 - e) Freehold land includes Rs. 4604 lacs (previous year Rs. 4092 lacs) for land acquired for Corporate Office / Residential Complex at Gurgaon for which transfer deed in favour of the company is yet to be executed.
4. Pending reconciliation, materials amounting to Rs. 78 lacs(previous year Rs. 80 lacs) in commissioned lines is shown as construction stores lying with contractors.
5. Fixed Assets include company's share of Rs. 562 lacs (previous year Rs.562 lacs) in common services and facilities of 400 KV substations of Uttar Pradesh State Electricity Board (UPSEB) and Rajasthan State Electricity Board (RSEB) pending execution of formal agreements for joint ownership.
6.
 - a) An amount of Rs. 23547 lacs (previous year - Rs. 10968 lacs) being exchange rate difference in respect of Fixed Assets and Capital Work in Progress has been adjusted in the carrying amount during the year.
 - b) Other Finance charges for the year include an amount of Rs. 146 lacs (previous year Rs. 29 lacs) being the negative exchange rate difference on Current Assets. Other Income for the year include an amount of Rs. Nil (previous years - Rs. 11 lacs) being the favorable exchange rate difference on current assets.
7.
 - a)
 - i) Balances in Sundry Debtors, Loans, Advances and Material with Contractors are confirmed and reconciled except in some cases.
 - ii) Balances in Sundry Creditors are pending confirmation from the parties.
 - 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.
8. I. **CANBANK FINANCIAL SERVICES LIMITED (CANFINA)**
 - a) During the year 1991-92, pursuant to a contract with CANFINA, the company allotted Bonds worth Rs. 12000 lacs and placed a deposit of Rs. 11080 lacs with them (net of front -end fee of Rs. 920 lacs) as a condition of the same contract. CANFINA defaulted on deposit repayment after making repayment of Rs. 1680 lacs. Pursuant to such default in 1993-94, the company forfeited bonds worth Rs.10320 lacs against deposit of Rs.9400 lacs and write-back of front-end fee of Rs. 920 lacs. Subsequently, during 1994-95, the company restored deposits of Rs. 9400 lacs by credit to Capital Reserve in accordance with legal advice.
 - b) During 1998-99, on maturity of Rs. 1680 lacs worth of bonds not forfeited, the company repaid Rs. 103.34 lacs to third parties duly recognised by the company as holders, and in exercise of its lien on balance Rs.1576.66 lacs, set it off against deposits with CANFINA.
 - c) The company has neither accounted for interest income of Rs. 939 lacs (previous year Rs.939 lacs), cumulative Rs. 11709 lacs on deposit with CANFINA, nor has accounted for cumulative interest of Rs. 1876 lacs payable upto maturity on bonds worth Rs.1576.66 lacs which were set-off against deposit with CANFINA in the year 1998-99.
 - d) An adhoc provision of Rs. 5000 lacs against amount recoverable from CANFINA is held pending settlement of the above matters.

II. ANDHRA BANK FINANCIAL SERVICES LTD.(ABFSL)

- a) During the year 1991-92, pursuant to a contract with ABFSL, the company allotted Bonds worth Rs. 2500 lacs and placed a deposit of Rs. 2150 lacs with them (net of front-end fee of Rs. 350 lacs) as a condition of the same contract. ABFSL defaulted on deposit repayment. Pursuant to such default, during 1993-94, the company forfeited bonds worth Rs.2100 lacs by adjustment of deposit of Rs.1806 lacs and write-back of front-end fee of Rs.294 lacs. Subsequently, during 1994-95, the company restored deposit of Rs. 1806 lacs by credit to Capital Reserve in accordance with legal advice.
 - b) The company has neither accounted for interest income of Rs. 296 lacs (previous year Rs.296 lacs), cumulative Rs. 3272 lacs, on deposit with ABFSL, nor has accounted for cumulative interest of Rs. 360 lacs, payable upto maturity on bonds worth Rs.400 lacs held by ABFSL.
 - c) Bonds worth Rs. 400 Lacs held in the name of ABFSL have matured on 10.03.2002. Since the matter is under dispute / subjudice, the maturity proceeds have been shown under Other Liabilities.
9. Share Capital Deposit of Rs. 3881 lacs (previous year Rs. 3881 lacs) represents the value of shares to be allotted against purchase consideration payable to Government of India for ex-NHPC lines.
10. a) Cash & Bank Balance includes Rs. 327 lacs on account of deduction of Tax at Source on perquisites to employees as per the provisions of the Income Tax Act, 1961 and deposited in a separate bank account as per Orders of the Hon'ble Kolkata High Court.
- b) Balance with Scheduled Banks in term deposits include Rs. 855 lacs (previous year Rs. 803 lacs) FDR pledged with Principal Chief Conservator of Forest, Shimla (Himachal Pradesh) against compensatory afforestation.
11. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances and payments) is Rs. 262336 lacs (previous year Rs. 219261 lacs).
12. No payment is overdue for the purchases made from small scale/ancillary industries. Hence, no provision for interest has been made in the accounts.
13. Provision has not been made for entry tax and sales tax on works contracts and materials issued to contractors, for which appeals are pending and/or the amounts are not ascertainable.
14. a) Central Electricity Regulatory Commission (CERC), constituted under Electricity Regulatory Commission Act, 1998, issued orders in December, 2000 with respect to the norms, principles and availability based tariff. An appeal was filed by the Company against the above orders before the Hon'ble Delhi High Court, which is yet to be disposed. Pending disposal of appeal, CERC notified tariff norms effective from 1st April, 2001. The transmission income for the year has been accounted for provisionally on the basis of tariff determined as per CERC norms, subject to adjustment after final notification of tariff.
- b) Transmission Income for NER constituents has been accounted for at the UCPTT rate of 35 paise per unit, as frozen in the 43rd NEREB meeting. In 47th NEREB meeting, it was decided that if the generation is less, the balance amount shall be kept separately and shall be adjusted when generation is more. Based on normative energy, tariff is Rs. 9118 lacs. Because of more powerflow, an amount of Rs. 10000 lacs (previous year Rs. 9313 lacs) has been accounted for as Transmission Income from NER Constituents..
- c) Consequent upon disallowance of depreciation on Grant utilised for Chandrapur HVDC project by CERC, an amount of Rs. 10050 lacs accounted for as Transmission Income upto last year has been reduced from the Transmission Income in the current year.
15. The Company had been providing depreciation upto 31.03.2001 as per the rates notified by Govt. of India (GOI) u/s 75A of the Electricity (Supply) Act which correspond to the depreciation rates considered in the GOI norms for tariff. Central Electricity Regulatory Commission (CERC) notified tariff norms effective from 01.04.2001 which provide for amended rates of depreciation for the purpose of recovery of tariff. However, the rates of depreciation notified by the GOI u/s 75A of the Electricity (Supply) Act, 1948, have not been amended to correspond with the CERC rates. Pending amendment of GOI notification of rates of depreciation as recommended by CERC, the depreciation on fixed assets has been provided at the rates specified in the CERC notification for recovery of tariff. The depreciation charged for the year is lower by Rs. 46106 lacs (previous year Rs. 42340 lacs) as compared to rates prescribed under Electricity (Supply) Act, 1948.
16. a) Trading of Power generated by Chukha Hydel Power Corporation Limited and Kurichhu Hydel Power Corporation Limited has been transferred to Power Trading Corporation Ltd. with effect from 01.10.2002. A sum of Rs. 16246 lacs is outstanding under Sundry Debtors as on 31.03.2003 for the Power sold.
- b) Purchase of power is net of subsidy of Rs. 4240 lacs (Previous year Rs. 4134 lacs) from Ministry of External Affairs.



a) **Business Segments**

The Company's principal business is transmission of bulk power across different States of India and sale of Power. Other business includes providing consultancy, RLDC, Telecom etc.

b) **Segment Revenue and Expense**

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

c) **Segment Assets and Liabilities**

Segment assets include all operating assets comprising of net fixed assets and current assets, loans and advances. Construction work-in-progress, construction stores and advances are included in unallocated corporate and other assets. Segment liabilities include current liabilities and provisions.

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

27. **A. Related Party Transactions**

a) **Related parties:**

- i) Joint ventures : **Power Trading Corporation of India Limited**, Investment in equity shares during the year – NIL, Cumulative Investment : Rs. 1200 lacs.
- ii) Subsidiary : **Tala Delhi Transmission Limited**, Investment in equity shares during the year – NIL, Cumulative Investment : Rs. 5 lacs. Certificate of Commencement of Business not yet received.
- iii) Subsidiary : **Bina Dehgam Transmission Company Limited**, Investment in Equity shares during the year – Rs. 5 lacs. Certificate of Commencement of Business not yet received.
- iv) Directors: **Sh. R.P. Singh, Dr. V.K. Garg, Sh. Bhanu Bhushan, Sh. S.C. Misra, Sh. U.C. Misra, Sh. A.K. Kutty, Sh. M. Sahoo, Sh. A.I. Buneet, Sh. P.I. Suvrathan, Sh. R. Ramanujam, Sh. V.V.R.K. Rao.**

b) Remuneration to whole time Directors including Chairman & Managing Director is disclosed in Note No. 29.

c) Advances due from whole time Directors including Chairman and Managing Director are disclosed under Schedule-8 – Current assets, loans and advances.

d) There are no non-official part time Directors in this Financial Year. Last year non-official part-time Directors were paid a sitting fee of Rs.0.20 lac.

B. Consolidated Financial Statements

The Company has made investment of Rs. 5 lacs each in the Equity shares of Tala Delhi Transmission Limited and Bina Dehgam Transmission Company Limited, subsidiary companies. As the Company intends to transfer the control in the near future, the accounts of these subsidiaries are not consolidated.

28. a) Figures have been rounded off to nearest rupees in lacs.

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

29. a) Employees' remuneration and benefits include the following for the Directors, including Chairman and Managing Director:

	(Rupees in lacs)	
	Current Year	Previous year
Salaries and Allowances	29	33
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	3	3
Other benefits	20	18

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

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30. QUANTITATIVE INFORMATION IN RESPECT OF PURCHASE AND SALE OF POWER :

	(Rupees in lacs)	
	Current Year	Previous year
a) Purchase of Power (Million Units)	1106	1440
b) Sale of Power (Million Units)	1106	1440

31. a) VALUE OF IMPORTS CALCULATED ON CIF BASIS :

	(Rupees in lacs)	
	Current Year	Previous year
i) Capital goods	52979	78531
ii) Spare Parts	2263	5759

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

	(Rupees in lacs)	
	Current Year	Previous year
i) Professional and Consultancy fee	162	260
ii) Interest	21629	18746
iii) Others	1458	2907

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

	(Rupees in lacs)			
	%	Current Year	%	Previous year
i) Imported	9.03 %	82	34.11 %	206
ii) Indigenous (Including Fuel)	90.97 %	826	65.89 %	398

d) EARNINGS IN FOREIGN EXCHANGE :

	(Rupees in lacs)	
	Current Year	Previous year
i) Interest	4	66
ii) Others	-	107

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

i) REGISTRATION DETAILS :

Registration No.	55-38121
State Code	55
Balance Sheet Date	31 st March 2003

ii) CAPITAL RAISED DURING THE YEAR

	(Rupees in lacs)
Public Issue	NIL
Rights Issue	NIL
Private Placement (Issued to Govt. of India)	625
Bonus Issue	NIL



iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

	(Rupees in lacs)
Total Liabilities	1965269
Total Assets	1965269
Sources of Funds	
Paid up Capital	307406
Reserves and Surplus	469337
Secured Loans	663108
Unsecured Loans	481220
Advance against Depreciation	20912
Deferred Tax Liability	23286
Application of Funds	
Net Fixed Assets	1459874
Capital Work-in-Progress (including Construction, Stores and Advances)	259258
Investments	73908
Net Current Assets	171454
Miscellaneous Expenditure	775

iv) PERFORMANCE OF COMPANY

	(Rupees in lacs)
Turnover/Income	208393
Other Income (including consultancy and Transfer from Grants in Aid)	44881
Total expenditure	178090
Profit before Tax	75184
Profit after Deferred tax	64259
Earning per share (Rs.)	209.04
Dividend Amount	10000

v) GENERIC NAMES OF PRINCIPAL PRODUCT/SERVICE OF COMPANY

Item code No. NOT APPLICABLE
 Product Description: Transmission, Central Transmission Utility function and Sale of Power

For and on behalf of the Board

(Divya Tandon)
 Company Secretary

(Dr.V.K.Garg)
 Director (Finance)

(R.P.Singh)
 Chairman & Managing Director

As per our report of even date

For Hingorani M. & Co.
 Chartered Accountants

For Venugopal & Chenoy
 Chartered Accountants

For D.P.Sen & Co.
 Chartered Accountants

(Pardeep Kumar)
 Partner

(P.V.Sri Hari)
 Partner

(A.K.Sinha)
 Partner

Place: Gurgaon
 Date: 27th June,2003

AUDITORS' REPORT

The Members,
Power Grid Corporation of India Limited,
New Delhi

We have audited the attached Balance Sheet of Power Grid Corporation of India Ltd., as at March 31, 2003 and the annexed Profit and Loss Account of the company for the year ended on that date together with the Schedules annexed thereto and cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report as follows:

1. The Company is governed by the Electricity (Supply) Act, 1948. The Company is also governed by the Electricity Regulatory Commissions Act, 1998. The provisions of the said Acts read with the rules thereunder, have prevailed wherever the same have been inconsistent with the provisions of the Companies Act, 1956.
2. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government 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.
3. On the basis of written representations received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
4. The impact of change in accounting policies during the year :
 - i) Surcharge, which was hitherto accounted for on receipt basis is now accounted for on receipt / certainty of receipt. This change in policy has resulted in increase in other income and profit by Rs. 19229 lacs.
 - ii) The company has capitalised w.e.f. 01.04.1999 certain insurance spares which were previously treated as inventory resulting in increase in fixed assets and decrease in current assets by Rs. 1878 lacs. This change has also resulted in increase in depreciation by Rs. 50 lacs, prior period depreciation by Rs. 182 lacs and decrease in profit by Rs. 232 lacs.
 - iii) Levelling, clearing and grading charges of land which were hitherto included in the cost of land are now being capitalised as part of the cost of the buildings retrospectively. This change has resulted in increase in the cost of Building and decrease in the cost of land by Rs. 2556 lacs. This change has also resulted in increase in depreciation by Rs. 67 lacs, prior period depreciation by Rs. 738 lacs and decrease in profit by Rs. 805 lacs.
5.
 - i) *Restoration of deposits of Rs. 11206 lacs, as referred to in Note no. 8 I(a) and 8 II(a) in Schedule 18, has resulted in overstating capital reserve and understating loan fund to such extent. In our opinion, the methodology of write back of front-end fee, restoration of deposit and showing external liability as capital reserve is not correct.*
 - ii) *Rs. 9400 lacs are deposits with CANFINA, as referred to in Note no. 8 I (a) in Schedule 18, against which, though the Company holds an adhoc provision of Rs. 5000 lacs, we are unable to express an opinion about the extent of recoverability.*
 - iii) *Rs. 1806 lacs are deposits with ABFSL, as referred to in Note no. 8 II (a) in Schedule 18 which, though according to the management are good and recoverable, we are unable to express an opinion about the extent of recoverability.*
 - iv) *Set-off of maturity value of bonds of Rs. 1576.66 lacs during the year 1998-99, as referred to in Note no. 8 I(b) in Schedule 18, against deposits with CANFINA, has resulted in understatement of liabilities and current assets to such extent.*

Pending settlement of the above matters, the resultant net effect on the accounts is not ascertainable.
6.
 - i) *Pending disposal of appeal filed by the Company against the CERC orders before the Hon'ble Delhi High Court, the transmission income for the year has been accounted for provisionally on the basis of tariff determined as per CERC norms (Note no. 14(a) in Schedule 18), the consequential effect of which is not ascertainable.*



- ii) *Depreciation on fixed assets has been provided at the rates specified in the tariff notification issued by CERC (Note no. 15 in Schedule 18), resulting in understatement of depreciation and overstatement of profit for the year by Rs. 46106 lacs.*
- iii) *The Government of India Scheme of April, 2002, for one time settlement of State Electricity Boards dues to the Company as on September 30, 2001 (Note no. 20 in Schedule 18), when implemented, may result in securitisation of Sundry Debtors retrospectively by issue of bonds.*

7. Further to our comments in the annexure referred to in paragraph 2 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 vide paragraph 1 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) **Subject to our observations referred in paragraph 6 (ii) above resulting in overstatement of profit by Rs. 46106 lacs, and in paragraphs 5 (i) to (iv), 6 (i) and 6 (iii) the consequential effect of which is not ascertainable**, in our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the Notes on Accounts given in Schedule 18 and Accounting Policies, in so far as these are not inconsistent with the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998, 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 March 31, 2003;
- 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 Hingorani M & Co.
Chartered Accountants

For Venugopal & Chenoy
Chartered Accountants

For D.P. Sen & Co.
Chartered Accountants

(Pardeep Kumar)
Partner

(P.V.Sri Hari)
Partner

(A.K. Sinha)
Partner

Place : Gurgaon.
Date : 27th June, 2003.

ANNEXURE TO THE AUDITORS' REPORT

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF OUR REPORT OF EVEN DATE

- i) The Company has generally maintained record of Fixed Assets. However, such record do not, in few cases, give full particulars including location of Fixed Assets. The assets have been physically verified by external agencies at reasonable intervals and discrepancies noticed on such verification, though not material, have not been reconciled / adjusted.
- ii) None of the Fixed assets of the company have been revalued during the year.
- iii) Physical verification of stores and spares has been conducted at reasonable intervals, except for materials lying with contractors.
- iv) The procedure of physical verification of stores, followed by the company, is reasonable and adequate in relation to the size of the company and the nature of its business.
- v) Material discrepancies noticed on physical verification in the stock of stores and spares have been properly dealt with in the accounts, except materials lying with contractors, where verification is not undertaken.
- vi) In our opinion and on the basis of our examination of the stock records, the valuation of stock is fair and proper in accordance with the normally accepted accounting principles, and is on the same basis as in the earlier years.
- vii) The company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. We were informed that there are no Companies under the same management.
- viii) The Company has not given any loans, secured or unsecured, to parties listed in the register maintained under section 301 of the Companies Act, 1956.
- ix) The company has given deposits of Rs 9400 lacs to Canbank Financial Services Ltd (CANFINA) and Rs. 1806 lacs to Andhra Bank Financial Services Ltd (ABFSL), who have not repaid the principal amount and interest thereon. The company, however, holds an adhoc provision of Rs. 5000 lacs against deposit with CANFINA. In case of other loans and advances, in the nature of loans, given by the company, the repayment of loan and interest, wherever applicable, are generally as stipulated.
- x) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the company and the nature of its business, with regard to purchase of stores, components, plant and machinery, equipments and other assets, and for the sale of power.
- xi) According to the information and explanation given to us, there are no transactions of purchase/sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, aggregating during the year to Rs 50000/- (Rupees fifty thousand only) or more, in respect of each party.
- xii) According to the information and explanations given to us, the Company has a system of determining unserviceable and damaged stores and the Company makes necessary adjustments in the accounts for any such stores.
- xiii) Since the Company has not accepted any deposit from the public, the question of compliance with the guidelines issued by the Reserve Bank of India and the provisions of section 58-A of Companies Act, 1956, and rules framed thereunder, does not arise.
- xiv) The Company does not have any by-product. In our opinion, reasonable records have been maintained by the Company for sale and disposal of scrap.
- xv) The company has an Internal Audit system. In our opinion, the scope and coverage of Audit are commensurate with the size and nature of its business. However, the compliance and implementation mechanism needs to be further strengthened.
- xvi) The Central Government has prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956 in respect of Transmission Operations of the Company. We have broadly reviewed the Cost Records prepared by the Company and are of the opinion that, prima facie, the prescribed records have been maintained.
- xvii) The Company is regular in depositing Provident Fund dues with the appropriate authority. As informed, the provisions of the Employees State Insurance Act are not applicable to the Company.
- xviii) According to the information and explanations given to us, there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as at March 31, 2003, for a period of more than six months from the date they became payable.
- xix) According to the information and explanations given to us and the records of the company examined by us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practices.



- xx) The Company is not a sick industrial company within the meaning of section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.
- xxi) In regard to the Company's activities relating to Transmission of Power, Telecom, Consultancy, Project Management, Supervision and Contracts:-
- The Company has a reasonable system of recording receipts, issues and consumption of materials, stores, and allocating materials consumed to the relative jobs (including construction of infrastructure for providing transmission services) commensurate with the size and nature of its business.
 - The Company has reasonable system of allocation of man hours consumed, to respective activities.
 - The Company has a reasonable system of authorisation at proper levels, and adequate system of internal control on issue and allocation of stores and labour to jobs.
 - The Company has a reasonable system of recording receipts, issues and consumption of materials and stores, commensurate with the size and the nature of its business.
- xxii) In regard to the company's activities relating to the trading, since the company does not deal with tangible goods, the question of determination of damaged goods does not arise.

For Hingorani M & Co.
Chartered Accountants

For Venugopal & Chenoy
Chartered Accountants

For D.P. Sen & Co.
Chartered Accountants

(Pardeep Kumar)
Partner

(P.V.Sri Hari)
Partner

(A. K. Sinha)
Partner

Place : Gurgaon.
Date : 27th June, 2003.

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ANNEXURE-I TO THE DIRECTORS' REPORT

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR 2002-03

Sl. No.	Name	Designation	Qualification	Remuneration (Rs)	Experience (Years)	Date of commencement of Employment	Age (Years)	Last Employment Held
Employed for part of the year								
1	A.I. Buret	Director (Personnel)	B.A. (Hons), P.G. Diploma in IR & Welfare, LLB	944885	33	09.08.2001	60	NHPC
2	Hari Das	AGM (Materials)	BSc., AMIE (Mech.)	735728	39	16.08.1991	60	NTPC

Notes:

- 1) Remuneration includes Salary, Allowances, Leave encashment, Leave travel concession, Payment for Subsidised leased accomodations, 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.



REVIEW OF ACCOUNTS OF POWERGRID CORPORATION OF INDIA LIMITED, NEW DELHI, FOR THE YEAR ENDED 31ST MARCH 2003 BY THE COMPTROLLER & AUDITOR GENERAL OF INDIA

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

1 FINANCIAL POSITION

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

	2000-2001	2001-2002	2002-2003
	(Rs. in Crores)		
LIABILITIES			
	a)	Paid up capital	
Govt. (including share application money pending allotment)	3063.88	3067.81	3074.06
b) Reserves and Surplus			
i) Free Reserves and Surplus	3206.04	3695.02	4246.11
ii) Share Premium Account	—	—	—
iii) Capital Reserves	358.54	346.98	447.26
c) Borrowing from :			
i) Government of India	1852.58	1772.43	1659.97
ii) Financial Institutions	156.05	254.49	247.93
iii) Foreign currency loans	3385.81	3953.16	4815.71
iv) Cash credit	0.02		
v) Others	2667.70	3943.43	4719.67
vi) Interest accrued and due			
d) i) Current Liabilities and Provisions	914.86	1740.45	1607.31
ii) Provision for Gratuity			
e) Deferred tax liability		194.03	232.86
TOTAL	15605.48	18967.80	21050.88
ASSETS			
f) Gross Block	13260.92	13776.79	18943.30
g) Less: Depreciation	3476.54	3870.90	4344.56
h) Net Block	9784.38	9905.89	14598.74
i) Capital Work-in-Progress & Construction Stores and Advances	3153.45	5874.98	2592.58
j) Investments	397.47	739.03	739.08
k) Current Assets, Loans and Advances	2247.35	2442.18	3112.73
l) Deferred tax assets			
m) Misc expenditure not written off	22.83	5.72	7.75
n) Accumulated loss			
TOTAL	15605.48	18967.80	21050.88
o) Working Capital (k-d(i)-c(vi))	1332.49	701.73	1505.42
p) Capital employed (h+o)	11116.87	10607.62	16104.16
q) Net worth (a+b(i)+b(ii)-n-m)	6247.09	6757.11	7312.42
r) Net worth Per Rupee of Paid-up Capital (in Rupees)	2.04	2.20	2.38

2 SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs. 6091.36 crores from internal and external sources were realised and utilised during the year detailed below :

	Amount	(Rs. in crores) Amount
SOURCES OF FUNDS		
a) Funds from operation		
Profit after tax	642.59	
Add: Depreciation	473.66	
Add: Misc. exp. written off	1.11	
Add: Net increase in Insurance Reserve	14.91	1132.27
b) Increase in paid-up capital		6.25
c) Increase in borrowed funds		1519.77
d) Proceeds from Grants		111.84
e) Decrease in Capital Work in Progress		1938.92
Decrease in Construction Stores & Advances		1343.48
f) Deferred Tax		38.83
TOTAL		6091.36
UTILISATION OF FUNDS		
a) Increase in fixed assets		5166.51
b) Increase in working capital (excluding proposed dividend)		809.44
c) Grant utilised		11.56
d) Dividend paid (including interim of Rs. 50 cr)		100.66
e) Increase in misc. exp.		3.14
f) Increase in investments		0.05
TOTAL		6091.36

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3 WORKING RESULTS

The working results of the Company for the last three years ending 31st March, 2003 are given below :

(Rupees in crores)

	2000-2001	2001-2002	2002-2003
i) Sales	2497.48	2251.89	2103.00
ii) Other income	185.14	203.63	429.74
iii) Profit before tax and prior period adjustment	825.88	809.17	765.65
iv) Prior Period adjustment	-13.63	-13.92	-13.81
v) Profit before tax	812.25	795.25	751.84
vi) Provision for tax(including deferred tax)	69.76	106.63	109.25
viii) Profit after tax	742.49	688.62	642.59
viii) Proposed dividend plus dividend tax	55.10	50.66	56.41

4 RATIO ANALYSIS

Some important ratios on the financial health and working of the company at the end of last three years ending 31st March, 2003 are as under :

	2000-2001	2001-2002	2002-2003
A. Liquidity ratio			
Current Ratio[k/d(l)+c(vi)]	2.46	1.40	1.94
B. Debt Equity ratio			
Long terms debt to equity [c (i to v) but excl. short terms loans/q]	1.25	1.47	1.56
C Profitability Ratios			
a) Profit before tax to			
i) Capital Employed	7.31	7.50	4.68
ii) Net worth	13.00	11.77	10.28
iii) Sales (incl. Excise duty)	32.52	35.31	35.75
b) Profit after tax to equity	24.23	22.45	20.90
c) Earning per share (In Rupees)	242.34	224.46	209.04

5 INVENTORY LEVELS

The inventory levels at the close of the last three years ending 31st March 2003 are as under :

	2000-2001	2001-2002	2002-2003
Stores and spares and Loose tools	156.48	170.68	160.69

6 SUNDRY DEBTORS

The Sundry debtors and Sales in the last three years ending 31st March 2003 are as follows:

As on 31st March of	Considered good	Considered doubtful	Total	Sales	% of Sundry Debtors to Sales
2001	1428.52	1428.52	2497.48		57.20
2002	1605.47	21.71	1627.18	2251.89	72.26
2003	1645.01	138.20	1783.21	2103.00	84.79

The agewise breakup of Sundry Debtors at the end of 2002-2003 is as under :
(Rupees in crores)

Debtors outstanding for	Amount
Less than six months	886.99
6 months to 1 year	227.48
1 year to 3 years	502.87
More than 3 years	165.87
Total	1783.21

Place: New Delhi
Date : 5th September, 2003

(Revathi Bedi)
Principal Director of Commercial Audit
and Ex-officio Member Audit Board-III
New Delhi



Report on Corporate Governance

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

THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance is about promoting corporate fairness, transparency and accountability in the best interest of various stakeholders in the company. It is a system by which business corporations are directed and controlled. POWERGRID believes that good governance should entail trusteeship, empowerment, accountability of the management while remaining proactive to the Government policies.

POWERGRID Governance process is focused towards its mission for "*establishment and operation of Regional and National Power Grids to facilitate transfer of power within and across the Regions with Reliability, Security and Economy on sound commercial principles*" based on the well established practices in engineering & design, contracts, project management, finance etc. which are being followed in letter and spirit and are being continually improved upon. POWERGRID, today stands as the largest transmission utility in the world and is also ranked amongst one of the best-managed transmission companies in the world.

The Corporate Governance of POWERGRID is geared by the following:

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

The corporate governance structure specifies the distribution of rights, responsibilities and powers among different participants in the corporation. All strategic decisions regarding investment, diversification, major decisions regarding procurement, commercial and finance are proceeded ahead after approval of the Board and also by Govt. of India as the case may be. Presently, the Board of Directors consists of Chairman and Managing Director, Functional Directors and Govt. Nominee Directors. The eminent professionals, from amongst fields of power and finance sectors, are appointed as part-time Directors on the Board of the company who provide independent input towards corporate strategy in improving organisation performance. The rights and obligations of the employees are delineated in the policy Manuals published and the amendments are notified from time to time. The powers of the internal participants i.e. top executives and below are laid down in the well established and practiced "Delegation of Powers".

POWERGRID has also prepared and implemented "Works and Procurement Policy and Procedure for Pre-award and Post-award Stages" with a view to make the policies and procedures more systematic, transparent and easy to administer with major thrust on expeditious and decentralised decision making coupled with accountability and responsibility. The Board has also constituted several Committee viz. C ommittee for Award of Contracts, Committee on Feasibility Reports and Revised Cost Estimates, Committee of Bonds etc. to have better and more focused attention.

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

Management Discussion and Analysis:

The Management Discussions and Analysis covering financial performance, operational performance during the preceding financial year, opportunities, future outlook and concerns etc. are covered in the Directors' Report.

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Board of Directors:

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

Name of the Director	Tenure	Category of Directorship	No. of other Directorship	No. of the other Committee Membership	
				Chairman	Member
Shri R.P. Singh, CMD	till date.	'Executive Director'	Nil	Nil	Nil
Dr. V.K. Garg, Director (Finance)	till date.	'Executive Director'	Nil	Nil	Nil
Shri Bhanu Bhushan, Director (Operations)	till date	'Executive Director'	Nil	Nil	Nil
Shri S.C. Misra, Director (Projects)	till date.	'Executive Director'	Nil	Nil	Nil
Shri U.C. Misra, Director (Personnel)	till date.	'Executive Director'	Nil	Nil	Nil
Shri Shashi Shekhar, Jt. Secy; Ministry of Power	Joined the Board w.e.f. 17.06.03	'Non-Executive Director'	*Two	-	-
Shri M. Sahoo, JS&FA, Ministry of Power	till date	'Non-Executive Director'	*Four	One	*Nine
Shri A.K. Kutty Jt. Secy; Ministry of Power	ceased to be Director on 17.06.03	'Non-Executive Director'	*Three	-	*Five
Shri P.I.Sauvathan, Jt. Secy; Ministry of Power	ceased to be Director on 11.07.2002.	'Non-Executive Director'	-	-	-
Shri R.Ramanujam, JS&FA, Ministry of Power	ceased to be Director on 01.07.2002.	'Non-Executive Director'	-	-	-
Shri A.I.Bunet, Director (Personnel)	ceased to be Director on 31. 07.2002.	'Non-Executive Director'	-	-	-
Shri V.V.R.K. Rao, Member(G&O),CEA	ceased to be Director on 30. 06.2002.	'Non-Executive Director'	-	-	-

* Inclusive of Directorship and Membership of Committees in POWERGRID.

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

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

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

Board Meetings and Attendance:

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

During the Year under review, 12 Board meetings were held on 15th April, 29th April, 13th June, 29th July, 13th August, 11th September, 30th September, 25th October, of the year 2002 and 3rd January, 30th January, 18th March, & 27th March of the year 2003.



Name	Board Meetings during tenure		Attendance at last AGM
	held	attended	
Shri R.P. Singh, CMD	12	12	yes
Dr. V.K. Garg, Director (Finance)	12	12	yes
Shri Bhanu Bhushan, Director(Operations)	12	11	yes
Shri S.C. Misra, Director(Projects)	12	12	yes
Shri U.C. Misra, Director (Personnel)	08	08	yes
Shri A.K. Kutty, Jt. Secy., MOP	09	09	yes
Shri M. Sahoo, JS&FA, MOP	09	07	yes
*Shri A.I. Bunet, Director(Personnel)	04	04	-
*Shri P.I. Suvrathan, Jt. Secy. MOP	03	02	-
*Shri R. Ramanujam, JS&FA, MOP	03	03	-
*Shri V.V.R.K. Rao, Member(G&O),CEA	03	03	-

* Ceased to Directors of the company before the date of Annual General Meeting.

Remuneration of Directors

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

The part-time Government nominees on POWERGRID Board do not draw any remuneration from the company for their role as Director.

Audit Committee:

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

- (a) Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (b) To consider and take note of the appointment of statutory auditor, fixation of audit fee and all questions related to auditors' registration or dismissal.
- (c) Reviewing the annual financial statements before submission to the Board and to review the quarterly, half yearly results, focusing primarily on:
 - i) Any changes in accounting policies and practices.
 - ii) Major accounting entries based on exercise of judgement by management.
 - iii) Qualifications in draft audit report.
 - iv) Significant adjustments arising out of audit.
 - v) The going concern assumption.
 - vi) Compliance with accounting standards.
 - vii) Compliance with stock exchange and legal requirements concerning financial statements.
- (d) Reviewing the adequacy of internal control systems.
- (e) Reviewing the adequacy of internal audit function, discussion with internal auditors, any significant findings and follow up thereon.
- (f) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of Internal control systems of a material nature and reporting the matter to the Board.
- (g) Discussion with external auditors on nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
- (h) To review the status of outstanding Govt. Audit paras related to each Region and to review the audit reports issued by C&AG to Ministry and status of action taken on such reports.
- (i) To look into the reasons for substantial defaults in the payment to the bond holders.
- (j) To investigate any activity within its terms of reference, to obtain outside legal or other professional advice if it considers necessary.
- (k) To consider other matters as referred by the Board.

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Composition of Audit Committee as on 31st March, 2003 :

*Shri Bhanu Bhushan, Director(Opers.) Shri A.K. Kutty, Jt. Secy., MOP Shri M. Sahoo, JS&FA, MOP	Chairman Member Member	Executive Director Non-Executive Director Non-Executive Director	till date appointed as Director on 22.07.2002 appointed as Director on 22.07.2002.
**Shri P.I. Suvrathan, Jt. Secy., MOP Shri R. Ramanujam, JS&FA, MOP Shri V.V.R.K. Rao, Member(G.O.), CEA	Member Member Member	Non-Executive Director Non-Executive Director Non-Executive Director	ceased to be Director on 11.07.2002. ceased to be Director on 01.07.2002. ceased to be Director on 30.06.2002.

*Taken over the charge of Chairman of the Audit Committee on 13th August, 2002.

** Relinquished the charge of Chairman of the Audit Committee on 13th August, 2002.

Present composition of the Audit Committee:

Shri Bhanu Bhushan, Director(Opers.) Shri M. Sahoo, JS&FA, MOP *Shri Shashi Shekhar, Jt. Secy., MOP	Chairman Member Member	Executive Director Non-Executive Director Non-Executive Director
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*Appointed as a Member of Audit Committee on 27th June, 2003.

Attendance:

During the financial year ended, 31st March, 2003, five meetings of the Audit committee were held on 29th April, 13th August, 30th September, 25th October of the year 2002 and 3rd January of the year 2003.

The Committee also met for the finalisation of the Annual Accounts for the Year ended 31st March,2003.

Attendance at Audit Committee Meetings during the preceding Financial Year:

Name	Board Meetings during tenure	
	held	attended
Shri Bhanu Bhushan, Director (Operations)	5	5
Shri A.K. Kutty, Jt. Secy. MOP	4	4
Shri M. Sahoo, JS&FA, MOP	4	4
@ Shri R. Ramanujam, JS&FA, MOP	1	1
\$ Shri P.I. Suvrathan Jt. Secy., MOP	1	1
**Shri V.V.R.K. Rao, Member(G&O),CEA	1	1
* Dr. V.K. Garg, Director (Finance)	5	5

* Attended as a special invitee.

@ Cease to be Director w.e.f. 01.07.2002.

**Cease to be Director w.e.f. 30.06.2002.

\$ Cease to be Director w.e.f. 11.07.2002.

General Body Meetings:

The proceedings of three Annual General Meetings were held as under:

Year	Date	Time	Venue
1999-2000	14 th August, 2000	3.30 p.m.	B-9, Qutab, Institutional Area, Katwaria Sarai, New Delhi-16.
2000-2001	13 th August, 2001	4.00 p.m.	B-9, Qutab, Institutional Area, Katwaria Sarai, New Delhi-16.
2001-2002	30 th September, 2002	4.30p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.

Date of payment of Dividend for the Financial year 2001-2002 :

23rd October, 2002.

Listing:-

The Bonds of the Company are listed with the following Stock Exchanges:

The Delhi Stock Exchange Association Limited. DSE House, 3/1, Asaf Ali Road, Dariya Ganj, New Delhi -110 002.	National Stock Exchange of India Limited Exchange Plaza, Plot no.C/1,G Block, Bandra-Kurla Complex, Bandra (E) Mumbai-400 051.
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Registrar and Transfer Agent.

Intime Spectrum Registry Limited:

A-31, 3rd Floor, Near PVR Cinema, Naraina Industrial Area, Phase - I,
New Delhi - 110 028.

Phone: 51410592-93-94, Fax: 51410591.

Bonds in Electronic Form:

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

Bondholders holding Bonds in electronic form may please note that:

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

Means of Communication:

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

Disclosures:

1. There were no materially significant related party transactions with the Directors, the management, subsidiaries or relative of the Directors that have a potential conflict with the interest of the Corporation.
2. No infringement of any of the provisions of the law and regulations has been committed by the Company.

Going Concern:

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

Auditors' Certificate on Corporate Governance:

The Auditor's Certificate on compliance of Clause 49 of the Listing Agreement is being published as an annexure to the Directors' Report.

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AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT.

To
The Members,
Power Grid Corporation of India Ltd.

1. We have examined the compliance of conditions of Corporate Governance by Power Grid Corporation of India Ltd., for the year ended 31st March, 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with various Stock Exchanges (hereinafter referred to as 'the Agreement')
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and based on our review and to the best of our information and explanations given to us and subject to Para 4 below, we certify that the conditions of Corporate Governance as stipulated in Clause 49 of the Agreement have been complied with in all material aspects by the Company.
4. (i) As required by Para 1A of Clause 49 of the Agreement, the Board of Directors did not have the optimum number of non-executive Directors during the year.
(ii) As regards Para II of Clause 49 of the Agreement, during the year the Audit Committee comprised of three Directors, two being non-executive and one executive Director. While a non-executive nominee Director was the Chairman of the Audit Committee upto 13th Aug, 2002, the Executive Director was the Chairman of the Audit Committee from that date.
5. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that the company has constituted a Committee of Board of Directors for Bonds who look after the post allotment activities including investor grievances. As at 31st March, 2003 there were no investor grievances remaining unattended / pending for more than 30 days.
6. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for HINGORANI M. & CO.
Chartered Accountants

(Pardeep Kumar)
Partner

for D P SEN & CO
Chartered Accountants

(D.Bhattacharyya)
Partner

for VENUGOPAL & CHENYOY
Chartered Accountants

(P.V.Sri Hari)
Partner



CURRENT COST ACCOUNTS

In the context of persistent inflation in the Indian economy, the Corporation has attempted to perceive the impact of price changes on its financial position and working results. The current cost accounts shown hereunder reflect the current values of assets of the Corporation which mainly comprise fixed assets. We believe that current cost accounting assumes special importance in the case of a public utility like our Corporation, the prices of whose service are determined by reference to the related costs rather than by the market forces of demand and supply as in the case of other business enterprises. If the prices of the services rendered by a public utility are determined on the basis of costs as indicated by the historical cost-based accounts, they would not cover the current cost depreciation and other current costs being incurred. Over a period of time, the enterprise will not be able to maintain its operating capability even though it may show profit as per conventional historical cost based accounts. It is perhaps for this reason that internationally, many public utilities prepare even their main accounts on the basis of current cost accounting.

Basis of Current Cost Accounting of the Corporation

1. The exercise has been conducted on the basis of the principles enunciated in the Guidance Note on Accounting for Changing prices issued by the Institute of Chartered Accountants of India.
2. The current cost adjustments have generally been made on the basis of specific indices for various items. These indices have been computed by the Corporation as below:
Plant and Machinery constitute about 95% of the total fixed assets of the corporation. Further, out of the various items of plant and machinery, ten specific items constitute about 95% of the total value of plant and machinery.
The indices for various items of plant and machinery have been worked out on the basis of an appropriate combination of:-
 - i) Detailed indices comprising the wholesale price index published by the Office of the Economic Advisor, Department of Industrial Policy & Promotion, Ministry of Industry, Govt. of India, and
 - ii) Indices of specific items as circulated by the Indian Electrical and Electronic Manufactures Association.

FIXED ASSETS

Fixed Assets are stated at their gross current replacement cost by applying the relevant specific indices to the gross book value of each category of fixed assets. The net current replacement cost has been arrived at by charging depreciation on the gross current replacement cost at the depreciation rates notified by the CERC. The same rates were adopted for preparation of Annual Accounts for Financial Year 2002-03.

The life of fixed assets acquired from other enterprises have been worked out on the basis of the original cost, rate of depreciation and the written down value.

CAPITAL WORK-IN-PROGRESS

Since the gestation period is 3-5 years for the each project, capital work-in progress has also been stated at its current replacement cost.

INVENTORIES

Since inventories comprise mainly machinery spares, they have been restated on the basis of the indices used for the relevant items of plant and machinery.

OTHER ASSETS AND LIABILITIES

Cash, sundry debtors, loans and other liabilities have not been revalued since these are already expressed in current monetary terms.

DEPRECIATION ADJUSTMENT

The depreciation adjustment represent the difference between the amount of depreciation computed on the current cost of fixed assets and the amount of depreciation charged in the historical cost accounts.

GEARING ADJUSTMENT

As a part of the operating assets of the Corporation is financed through borrowings which are to be repaid in the same monetary amount irrespective of changes in prices, the full impact of prices changes as reflected by the depreciation adjustment has been reduced by adding back a proportionate amount while determining the current cost profit attributable to shareholders.

The current cost reserve represents, unrealised revaluation surplus on fixed assets, adjustment in respect of depreciation and the gearing adjustment.

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**CURRENT COST BALANCE SHEET
AS AT 31st MARCH, 2003**

		(Rupees in Lacs)	
		As at 31st March, 2003	As at 31st March, 2002
NET ASSETS EMPLOYED			
Gross Block	2741535		2141641
Less: Accumulated Depreciation	<u>684383</u>		<u>650204</u>
Net Block		2057152	1491437
Capital Work-in Progress		243283	434178
Construction Stores and Advances		91304	226775
Investments		73908	73903
NET CURRENT ASSETS			
Inventories	16349		16870
Other Current Assets	<u>295204</u>		<u>227150</u>
	311553		244020
Less : Current Liabilities and Provisions	<u>184017</u>		<u>193448</u>
		127536	50572
Miscellaneous Expenditure (to the extent not written off or adjusted)		<u>775</u>	<u>572</u>
		2593958	2277437
FINANCED BY			
SHAREHOLDERS FUNDS			
Share Capital	307406		306781
Current Cost Reserve	685382		587748
Other Reserves and surplus	<u>456842</u>		<u>390557</u>
		1449630	1285086
LOAN FUNDS			
Secured Loans	663108		546210
Unsecured Loans	<u>481220</u>		<u>446141</u>
		1144328	992351
		2593958	2277437

**CURRENT COST PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH, 2003**

		(Rupees In Lacs)	
		For the year ended 31st March, 2003	For the year ended 31st March, 2002
Profit before Interest and Finance Charges and taxation (On Historical Cost basis)			
	145225		145329
Less: Depreciation Adjustment	<u>20009</u>		<u>21002</u>
Current Cost Operating Profit	125216		124327
Add: Gearing Adjustment	<u>7514</u>		<u>7359</u>
		132730	131686
Less: Interest and Finance Charges	70041		65804
Provision for Taxation	<u>10925</u>		<u>10663</u>
		80966	76467
Current Cost Profit Attributable to Shareholders		<u>51764</u>	<u>55219</u>



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31st, 2003

(Rupees in lacs)

	For the year ended March 31, 2003	For the year ended March 31, 2002
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	75184	79525
Adjustment for :		
Depreciation	47163	39427
Transfer from Grants in Aid	-1156	-1156
Amortised Expenditure (DRE written off)	111	1945
Provisions	13957	10275
Self Insurance	1491	1065
Interest	70041	65804
Interest earned on bonds	-8416	-8163
Dividend received	-158	
Operating profit before Working Capital Changes	<u>198217</u>	<u>188722</u>
Adjustment for :		
Trade and other Receivables	-10410	-4147
Inventories	999	-1391
Trade payables and other liabilities	-26124	60061
Other current assets	-4645	4389
Loans and Advances	7213	-17030
Deferred Revenue Expenditure-	-314	-234
	<u>-33281</u>	<u>41648</u>
Interest paid	-14	-26
Direct taxes paid	<u>-6790</u>	<u>-6718</u>
Net Cash from operating activities	<u>158132</u>	<u>223626</u>
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed Assets	-17948	-10241
Capital work in progress	-304608	-222147
Advance for Capital expenditure	134332	- 91343
Investments	-5	-34156
Lease Receivables	- 69948	
Interest earned on bonds	8416	8163
Dividend received	158	
Net cash used in investing activities	<u>-249603</u>	<u>-349724</u>
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceed from issue of Share Capital	625	393
Loans raised during the year	264261	323544
Loans repaid during the year	-112284	-137409
Interest Paid	-70027	- 65778
Dividend paid	-10066	-5510
Proceed from Grants in Aid	11184	
Net Cash from Financing Activities	<u>83693</u>	<u>115240</u>
D. Net change in Cash and Cash equivalents (A+B+C)	<u>-7778</u>	<u>-10858</u>
E. Cash and Cash equivalents (Opening balance)	<u>22514</u>	<u>33372</u>
F. Cash and Cash equivalents (Closing balance)	<u>14736</u>	<u>22514</u>

Note: Cash and cash equivalents consist of cash in hand, balance with banks and Public deposit account with Government of India and interest accrued thereon.

For and on behalf of the Board

Sd/-
(Divya Tandon)
(Company Secretary)

Sd/-
(Dr. V.K.Garg)
(Director (Finance))

Sd/-
(R.P.Singh)
Chairman & Managing Director

As per our report of even date

For Hingorani M. & Co.
Chartered Accountants

For Venugopal & Chenoy
Chartered Accountants

For D.P.Sen & Co.
Chartered Accountants

Sd/-
(Pardeep Kumar)
Partner

Sd/-
(P.V. Sri Hari)
Partner

Sd/-
(A.K.Sinha)
Partner

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AUDITORS CERTIFICATE

To,

The Board of Directors,
Powergrid Corporation of India Limited,
New Delhi

We have examined the attached Cash Flow Statement of Powergrid Corporation of India Limited, for the period ended March 31, 2003. The statement has been prepared by the Company in accordance with the requirements of listing agreement Clause-32 with Stock Exchanges and is based on and is in agreement with the corresponding Profit & Loss Account and Balance Sheet of the Company covered by our report of 27th June 2003 to the Members of the Company.

For Hingorani M. & Co.
Chartered Accountants

(Pardeep Kumar)
Partner

For Venugopal & Chenoy
Chartered Accountants

(P.V.Sri Hari)
Partner

For D.P.Sen & Co.
Chartered Accountants

(A.K. Sinha)
Partner

Place : Gurgaon
Date : 27th June, 2003

BINA DEHGAM TRANSMISSION COMPANY LIMITED

To,
The Members.

I, on behalf of the Board of Directors, present the First Directors' Report of BINA DEHGAM TRANSMISSION COMPANY LIMITED together with the audited Statement of Accounts for the financial year 2002-03.

Your Company had been incorporated on 2nd September, 2002 as a Project specific 'SHELL COMPANY' to take up the implementation of Bina-Nagda-Dehgam Transmission Lines through IPTC Route on BUILD, OWN, OPERATE AND TRANSFER (BOOT) basis. The incorporation of the Company was in deference to the Presidential Directive, communicated by Ministry of Power (MoP) vide their letter dt. 11th JULY, 2002 in terms of the Articles of Association of the Promoter Company i.e. POWERGRID.

The company has not applied for the Certificate of Commencement of Business. The Company has been incorporated as a 'SHELL COMPANY' to take up the implementation of a specified Transmission System through IPTC Route. The Board of Directors of the Company decided to obtain the Certificate of Commencement of Business after the approval of the scope of the project by the appropriate Authorities / Government of India.

Project (IPTC Route):

The Promoter Company, POWERGRID, had identified specific Transmission Lines associated with Sipat Power Project Stage-I and Hirma Power Project as a Pilot Project to be taken up for implementation through Independent Private Transmission Company (IPTC) Route (100% finances to be arranged by the Private Party) on Build, Own, Operate & Transfer (BOOT) basis.

The specific Transmission Lines to be implemented as a Pilot Project are:

- | | |
|---|----------|
| 1. 400 kV D/C Bina-Nagda Transmission Line (Gantry to Gantry) –
(Hirma Project) | 331 kms. |
| 2. 400 kV D/C Nagda-Dehgam Transmission Line (Gantry to Gantry) -
(Sipat-1 Project). | 332 kms. |

Total	<u>663 kms.</u>
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The above Transmission Lines are required to be commissioned by April 01, 2007 to match with the Commissioning of first unit of Sipat- I Generation Project of NTPC.

In line with GOI Guidelines, POWERGRID, the Promoter Company, started the selection process for the Project during February, 2001 by adopting two stage selection process (RFQ/ RfP). The Request for Qualification (RfQ) document was issued to 15 interested parties during February/March, 2001 and 6 parties submitted their "Qualification Statements" on 19th July, 2001. On the basis of their "Qualification Statements", 4 parties qualified for issue of Request for Proposal (RfP) document which was issued to them during January, 2002. Only one party i.e. Consortium of M/s.TNB, Malaysia and M/s. KPTL, India submitted their Techno-commercial and Tariff proposal on 31st October, 2002. As only one party had submitted Techno-Commercial & Tariff Proposal, CERC had been approached to grant permission to proceed ahead as per the existing Regulations. The selection process for successful sponsor for the IPTC route Project is under progress in line with the directions issued by CERC.



Directors' Report

for the 1st Annual General
held at New Delhi on
29th Sept., 2003.

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Directors

In terms of the Article 108 of the Articles of Association of the Company, S/Shri J.Sridharan, J. Haque, S.Majumdar, Anand Mohan, Ashwani Jain and Akhil Kumar were the first Directors of the Company.

Auditors' Report

The Auditors' Report to the shareholders does not contain any qualifications. Further, "Nil" comments have been received from the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956.

Auditors

M/s Tiwari & Associates, Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the company for the year 2002-2003.

Directors' Responsibility Statement

Pursuant to the requirements under Section 217(2A) 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, 2003 the applicable accounting standards had been followed;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss of the Company for the year under review;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared accounts for year ended 31st March, 2003 on a going concern basis.

Particulars of Employees

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

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

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

Acknowledgement

The Board extends its sincere thanks to POWERGRID.

For and on behalf of
BINA DEHGAM TRANSMISSION COMPANY LIMITED.

Date : New Delhi.
Place : 29th Sept., 2003.

Sd/-
(J. Sridharan)
Chairman

BINA DEHGAM TRANSMISSION COMPANY LTD.

SCHEDULES - FORMING PART OF ACCOUNTS

SCHEDULE '5'

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

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

B) NOTES FORMING PART OF ACCOUNTS

1. The company was incorporated on 2nd September, 2002 and certificate of commencement of business has not been obtained so far. As there was no commercial activities during the year, no profit and loss account has been prepared.
2. Being the first balance sheet of the company, previous year figures are not applicable.
3. A sum of Rs. 26700/- paid by Power Grid Corporation of India Ltd. towards preliminary expenses has been shown as Current Liabilities.
4. There are no contingent liabilities.

As per our Report of even date
for TIWARI & ASSOCIATES
CHARTERED ACCOUNTANTS

For and on behalf of Board of Directors

(Krishan Kumar)
Partner

(J.Sridharan)
Director

(J. Haque)
Director

Place : New Delhi.

Dated : 19th August, 2003

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BINA DEHGAM TRANSMISSION COMPANY LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. U40108DL2002GOI116786 (2002-03)

State Code : 055

Balance Sheet Date

31
DATE

03
MONTH

03
YEAR

II. Capital Raised during the year (Rs. in Thousands)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	500

III. Position of Mobilisation and Deployment of funds
(Amount in Rs. Thousands)

Total Liabilities	500	Total Assets	500
Sources of Funds		Reserves & Surplus	
Paid-up Capital	500	Unsecured Loans	NIL
Secured Loans	NIL	Investment	NIL
Application of Funds		Misc. Expenditure	37.5
Net Fixed Assets	NIL		
Net Current Assets	462.5		
Accumulated Losses	NIL		

IV. Performance of Company
(Amount in Rs. Thousands)

Turnover	NIL	Total Expenditure	NIL
Profit/Loss before Tax	NIL	Profit/Loss after Tax	NIL
Earning per Share in Rs.	NIL	Dividend Rate %	NIL

V. Generic Name of three principal Product/Services of Company
(As per monetary terms)

Item Code No.	NOT APPLICABLE
(ITC) Code	
Product Description	TRANSMISSION OF POWER

As per our Report of even date

For Tiwari & Associates
Chartered Accountants

For and on behalf of Board of Directors

(Krishan Kumar)
Partner

(J.Sridharan)
Director

(J. Haque)
Director

Place : New Delhi
Dated : 19th August, 2003.



Directors' Report

for the 2nd Annual General Meeting held on 05.09.2003.

POWERLINKS TRANSMISSION LIMITED

(Formerly Known as Tala-Delhi Transmission Limited)

To,
The Members.
Ladies & Gentlemen,

It gives me immense pleasure to present on behalf of the Board of Directors, the 2nd Annual Report of Powerlinks Transmission Ltd. (earlier known as Tala-Delhi Transmission Limited) together with the audited Statement of Accounts for the financial year 2002-03.

Your Company had been incorporated on 4th May, 2001 as a Project specific 'SHELL COMPANY' to take up the implementation of Transmission System associated with TALA HEP through Joint Venture Route on BUILD, OWN, OPERATE AND TRANSFER (BOOT) basis. The incorporation of the Company was in deference to the Presidential Directive, communicated by Ministry of Power (MoP) vide their letter dt. 24th May, 2000 in terms of the Articles of Association of the Promoter Company i.e. POWERGRID.

Financial Results

The company has obtained certificate of Commencement of Business on 13th August, 2003. Thus there was no business during the year 2002-2003.

Dividend

Since company has not commenced business, Directors have not recommended any Dividend.

Tala - Delhi JV Project

POWERGRID in consultation with Ministry of Power had identified specific transmission lines associated with the Tala Hydro Electric Project, East-North Interconnector & Northern Region Transmission System as a pilot project to be taken up for implementation through the Joint venture route on Build, Own, Operate & Transfer (BOOT) basis. The specific transmission lines to be established through the JV route basis are:

1. Siliguri-Purnea 400 kV D/C (quad.conductor) line	-162 kms.
2. Purnea-Muzaffarpur (New) 400 kV D/C (quad.conductor) line	-242 Kms.
3. Muzaffarpur (New)-Gorakhpur (New) 400 kV D/C line (quad.Conductor)	-233 Kms.
4. 220 k V D/C line from Muzaffarpur 400 kV new S/S to Muzaffarpur 220 kV S/S of BSEB	-20 kms.
5. Gorakhpur (New)-Lucknow (New) 400 kV D/C line (Twin conductor)	-277 Kms.
6. Bareilly-Mandola 400 kV D/C line (Twin conductor)	-237Kms.

TOTAL	<u>1171 Kms.</u>
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The estimated cost for the above transmission lines is around Rs. 1100 crores. (on 2nd quarter 2002 price basis) as approved by Cabinet Committee on Economic Affairs (CCEA). However, based on the bids received, the project estimate is likely to go up by 15% on the present price basis. Revised Cost Estimate is being prepared.

The Tala Hydro Electric Project is being constructed in Bhutan by the Tala Hydro Project Authority with a total capacity of 1020 MW and consists of 6 units of 170 MW each. The entire power generated from the Tala Project is envisaged to be transmitted to Eastern Region in India. On account of the existing surplus generation in Eastern Region and with the upcoming Tala project as well as other projects in the Eastern Region and North - Eastern Region, there is a need for interconnecting the Eastern Region to

Northern Region for evacuation of the surplus power.

The Tata Power Company Limited (TATA POWER) was selected as 51% Joint Venture partner for executing the transmission lines (except substations) associated with the Tala Project. On the basis of approval of Cabinet Committee on Economic Affairs, 51% of equity has been transferred to The Tata Power Company Limited on 3rd July, 2003 and 'Shareholders' Agreement, 'Implementation Agreement' and 'Transmission Service Agreement' have been executed on 4th July, 2003.

Funding of Project

State Bank of India, UTI Bank Limited, Infrastructure Development Finance Company Limited, Asian Development Bank, Manila and International Finance Corporation (a wing of World Bank) have been identified as prospective lenders and negotiations with lenders are in progress for the best terms and finalization of Agreements.

Directors

In terms of the Memorandum of Association (MOA) of the Company, the Subscribers S/Shri J.Sridharan, S.C. Misra, S.Majumdar, Anand Mohan, S.K.Dube, Arun Kumar and Ravi Arya were the first Directors of the Company. At the first Annual General Meeting of the Company, S/Shri S.C.Misra, S.K.Dube, Arun Kumar and Ravi Arya retired and S/Shri J.Sridharan, S.Majumdar and Anand Mohan were reappointed as the Directors of the Company. In terms of the Shareholders' Agreement, Sh. R. P. Singh, Sh. V.A. Vandrevala, Sh. Utpal Dhar, Sh. P.K. Kukde, Sh. S.M. Gurunath, Sh. Suresh Sachdev and Sh. V.M.Kaul were inducted as Directors and S/Shri J.Sridharan, S.Majumdar and Anand Mohan resigned from the Directorship of the Company w.e.f. 3rd July, 2003. Directors placed on record their deep appreciation for their contribution rendered by them during their tenure. Presently, Sh. Utpal Dhar and Sh. Suresh Sachdev are full time Directors and others are part time Directors. Sh. R.P.Singh has assumed the charge of non-executive Chairman of the company.

Auditors Report

The Auditors' Report to the shareholders does not contain any qualifications. Further, "Nil" comments have been received from the Comptroller and Auditor General of India under Section 619(4) of the Companies Act 1956 in view of non-selection of accounts of the Company for Audit.

Auditors

M/s AL Sehgal & Co., Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the company for the year 2002-2003. Since 51% equity is now held by The Tata Power Company Limited w.e.f. 03.07.2003, your company now does not remain a Government Company. The C&AG is requested to give their consent to the Company's management to appoint Statutory Auditors for full financial year 2003-2004. The Auditors will be appointed after approval from C&AG.

Directors' Responsibility Statement

Pursuant to the requirements under Section 217(2A) 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, 2003 the applicable accounting standards had been followed;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss of the Company for the year under review;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies

TALA-DELHI TRANSMISSION LTD.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2003

(Amount in Rupess.)

	For the year ended 31st March 2003	For the year ended 31st March 2002
I. INCOME	NIL	NIL
TOTAL	NIL	NIL
II. EXPENDITURE		
Auditor's Remuneration		
Audit Fees	10000	
Service Tax	800	
	10800	10500
Filing Fees With Registrar of Companies	2300	-
Printing & Stationery	-	1572
	13100	12072
Less : Allocated to Pre-operative Expenditure in the Balance Sheet	13100	12072
TOTAL	NIL	NIL

For and on behalf of Board of Directors

Place : New Delhi.
Dated : 8th May, 2003.

(J. Sridharan)
Director

(S. Majumdar)
Director

Annexure to the Balance Sheet of even date

For A. L. Sehgal & Co.
Chartered Accountants

Place : New Delhi.
Dated : 6th Aug., 2003

(A. L. Sehgal)
Partner

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TALA-DELHI TRANSMISSION LTD.
SCHEDULES-FORMING PART OF ACCOUNTS

	(Amount in Rupees)	
	As at 31st March, 2003	As at 31st March, 2002

SCHEDULE '1'

SHARE CAPITAL

Authorized

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

50,000 equity shares of Rs. 10/- each	500000	500000
---------------------------------------	--------	--------

	500000	500000
--	--------	--------

(Amount in Rupees)

	As at 31st March, 2003	As at 31st March, 2002
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SCHEDULE '2'

CURRENT ASSETS, LOANS & ADVANCES

Current Assets

Cash & Bank Balances

Balance with Schedule Bank-	500000	500000
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in Current Account	500000	500000
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(Amount in Rupees)

	As at 31st March, 2003	As at 31st March, 2002
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SCHEDULE '3'

CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

Power Grid Corp. of India Ltd.	44792	31992
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Other Liabilities	10800	55592
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	55592	42492
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(Amount in Rupees)

	As at 31st March, 2003	As at 31st March, 2002
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SCHEDULE '4'

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

Preliminary Expenses	30420	30420
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Pre-operative Exp.

As per last year	12072	
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Allocation during the year	13100	25172
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	55592	42492
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AUDITOR'S REPORT

The Members,
TALA-DELHI TRANSMISSION LTD.
NEW DELHI.

We have audited the attached Balance Sheet of TALA-DELHI TRANSMISSION LIMITED as at 31st March, 2003 also the NIL Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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 & significant estimate made by management as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

We report that:

1. We have obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.
2. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
3. The Balance Sheet and NIL Profit & Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion, the NIL Profit & Loss Account and Balance Sheet dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
5. On the basis of written representations received by us from the directors of the company as at 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as director of the company under clause (g) of the sub section (1) of section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and NIL Profit & Loss Account read together with the notes thereon give the information required by the Companies Act, in the manner so required and give a true and fair view in conformity with Accounting principles generally accepted in India:-
 - i) in so far it relates to Balance Sheet of the State of affairs of the company as at 31st March, 2003, and
 - ii) in so far as it related to Profit and Loss Account of the NIL for the year ended on 31st March, 2003.

The Provisions of section 223 (4A) of the Companies Act, 1956 as required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board is not applicable as the Company has not as yet commenced its business.

For A.L. SEHGAL & CO.
CHARTERED ACCOUNTANTS

Place: New Delhi.
Date : 6th Aug. 2003.

Sd/-
(A.L. SEHGAL)
PARTNER

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF TALA - DELHI TRANSMISSION LIMITED, NEW DELHI FOR THE YEAR ENDED 31st MARCH, 2003.

The Comptroller and Auditor General of India has decided not to review the report of the Auditors on the accounts of Tala-Delhi Transmission Limited, New Delhi, for the year ended 31st March, 2003 and as such he has no comments to make under Section 619 (4) of the Companies Act, 1956.

Sd/-
(Revathi Bedi)
Principal Director of Commercial Audit and
ex-officio Member Audit Board - III,
New Delhi.

Place: New Delhi.
Dated: 3rd September, 2003.