



POWERGRID

POWER GRID CORPORATION OF INDIA LTD.

(A Government of India Enterprise)

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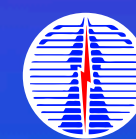
Website: <http://www.powergridindia.com>

ANNUAL REPORT 2003-2004

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Harnessing Power, Unleashing Life.

ANNUAL REPORT 2003-2004



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POWER GRID CORPORATION OF INDIA LIMITED

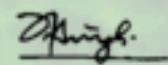
(A Government of India Enterprises)

Integrated Management Policy

POWERGRID is committed to:

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

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



(R.P. Singh)
Chairman and Managing Director

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“This is a landmark transaction for India and we believe this is the first Joint Venture transmission project in a developing country in Asia. The project is an excellent example of public private partnership and has great potential to be replicated in order to attract private investment into infrastructure.”

Formation of JVs for implementation of transmission system associated with Koldam & Parbati-II HEPs estimated to cost Rs. 600 Crore, is in advanced stage of finalization. Encouraged by the response received, we have embarked upon the process of selection of JV partner for implementing a huge project costing Rs. 4800 Crore, namely, WR System Strengthening Scheme - II.

Subsequent to the enactment of Electricity Act, 2003, establishment of transmission line, 100% owned by private companies is not in the hands of POWERGRID. The Government of India and CERC are formulating policy/ procedures in this regard.

CONSERVING ECO-SENSITIVE ZONES

I would like to share with you that the expansion of transmission network in developed as well as developing countries is suffering on account of severe Right of Way constraints due to environmental considerations, resistance by land owners because of deterioration in land value, intervention of people on account of architectural



deterioration etc. Therefore, POWERGRID is addressing these concerns in many ways:

- i) Use of very high and narrow base Transmission Line Towers like:
 - a. width of the 765 kV Towers has been reduced from usual 85 mtrs to 64 mtrs for the first time in the world.
 - b. 70 mtrs high towers have been used against normal 45 mtrs towers in Rajaji National Park in Uttaranchal to save felling of trees and protect the wild animals. The Hon'ble Supreme Court of India appreciated our efforts while granting permission to lay our transmission line.
- ii) Use of pole structures in highly populated and in forest areas;
- iii) Use of high temperature conductor which can carry manifold power compared to normal conductor;
- iv) Use of Series Compensation on existing and new transmission lines with thyristor controls to enhance the power carrying capacity from 30% to 50%. To name a few:

- a. Enhancement of capacity of Raipur-Rourkela Transmission system from 800 to 1200 MW
 - b. Enhancement of capacity of Kanpur-Ballabgarh Transmission system from 450 to 600 MW
 - c. Enhancement of capacity of Panki-Muradnagar Transmission system from 450 to 600 MW
 - d. Planned enhancement of capacity of Tala Transmission system from 1500 to 2000 MW
 - v) Re-conductoring of existing transmission system with high capacity conductors
 - vi) Uprating the existing transmission systems from lower voltage to higher voltage
- POWERGRID is committed to its social responsibility and protection of environment. In this context, we are already following a well documented Environment Social Policy & Procedures (ESPP), which was prepared with wide consultation. We strive to make it even better. I am glad to share that during my last visit to The World Bank, issue of review of ESPP was discussed. The World Bank agreed that this review could be coordinated and managed through a committee of eminent experts including representatives of The World Bank and ADB. I am glad to inform that this committee has been formed. The committee would review and facilitate revision of the ESPP besides overseeing its implementation in right earnest.

RESEARCH & DEVELOPMENT

Towards technological advancement, POWERGRID has established fully automated remote controlled 400 kV substation at Bhiwadi in Rajasthan; the first in Indian Power Sector. Another 6 substations to be remote controlled are under execution in various parts of the country. In future, we are planning to establish more and more substations with remote control with a purpose to reduce manpower cost, leading to economy in operation.

POWERGRID has taken many more initiatives in R&D area, of which few are enumerated below:

- Evacuation of power from NE Region which is bestowed with high hydro potential continues to be a technological challenge due to corridor constraint in chicken neck area. In this direction your company is planning to establish ± 600 kV HVDC, to begin with. This would subsequently convert to ± 800 kV HVDC by POWERGRID - again a leader to adopt ± 800 kV HVDC in the world.
- Your company is actively examining conversion of high voltage AC lines to DC lines with a purpose to save both the investment and the environment by using the same existing transmission line as this will enhance the transmission capacity manifold.



Handing over of Dividend Cheque for Rs. 125 Crore for the year 2003-04

- Establishment of 800 kV AC GIS is being planned while uprating the operation of Tehri-Meerut line from 400 kV to 800 kV voltage level.
- Upgrading Talcher-Kolar Transmission Line capacity from 2000 MW to 2500 MW at a minimal cost.
- POWERGRID has decided to establish a "Centre for Power Transmission Research and Application" which shall supplement the facilities of existing Research Institutions and provide opportunities for applied research in power transmission sector. We have also constituted an advisory body consisting of eminent experts from power utilities, research and academic institutions and consultants from India as well as from Canada, USA, and Brazil to facilitate adoption of latest technologies for construction, monitoring and maintenance of transmission system suiting Indian conditions.

TRANSPARENCY

Transparency in procurement has been a matter of public debate and will continue to be so. POWERGRID is eager to take a leadership position

in this context too. You are aware that we have made a detailed "Work and Procurement Policy" in two volumes; Vol-I for pre-award activities and Vol-II for post-award activities. These policy guidelines are followed in all our procurement & project implementation and have been posted on web for the information of all concerned. This has been acclaimed by one and all and its clearly defined procedures/guidelines have brought confidence in our personnel. We have also started uploading complete bidding document including tender drawings on our website for the benefit of all concerned.

To continue this process further, Committees of eminent experts have been constituted to advise on various issues related to procurement, project implementation, financial and environmental and social safeguard etc.

CONVERGENCE

You are aware that to generate additional revenues, POWERGRID spotted a new growth area - the convergence between transmission & telecom and decided to leverage its countrywide transmission infrastructure and the spare telecommunication capacity of its Unified Load Dispatch Centre (ULDC), to offer an ultra-modern and eco-friendly telecommunication infrastructure at an affordable cost. POWERGRID plans to build about



20,000 Kms of telecom network connecting about 60 cities. Most of the telecom network connecting major cities like Delhi, Chandigarh, Jammu, Jaipur, Lucknow, Mumbai, Ahmedabad, Pune, Hyderabad, Bangalore, Chennai, State capitals in North-Eastern Region, etc. has already been operationalised.

CONSULTANCY

The expertise developed over the years by us, is proving to be a source of strength, which can be leveraged to generate revenue for your company. Last year, POWERGRID secured 31 consultancy assignments costing more than Rs. 2100 Crore with consultancy fee of about Rs. 165 Crore. This is a clear message of faith other utilities have in our capabilities and proof of Company's credentials. Recognizing this, Government of India entrusted us with a difficult assignment in Afghanistan. We undertook survey for a 220 kV D/C transmission system passing through hostile, hilly & snow bound terrain in Afghanistan at an altitude upto 4000 m, transmission route infested with land mines and heavy snow deposits of 1 m to 4 m in depth.

LOOKING AHEAD

The Company is poised for accelerated growth. The Power Sector Reforms offer new opportunities and new directions. Distribution segment offers another opportunity to leverage our technological and management skills to provide better management of power resources. The consultancy opportunities available in other countries would offer a valuable

learning experience and enable us to benchmark our processes and systems against the best in the world.

At the national level, the setting up of the National Grid is for us an article of faith and we shall remain committed to completing it on or before schedule. The Company understands the critical importance of this mission and the benefits it will bring to the society at large. The company is also committed to fiscal discipline and will continue to take measures that reduce time and cost overruns. The company is proud of what it has achieved but not contented. I would like to assure that excellence, in all the spheres of our working, would continue to be our motto.



ACKNOWLEDGEMENT

I thank the dedicated Board of Directors and Government Agencies particularly Ministry of Power, Ministry of Finance, Ministry of Environment & Forests, Central Electricity Authority and Central Electricity Regulatory Commission. I am also thankful to the State Government Agencies, State Utilities and also Funding Agencies for their continued support. I acknowledge the dedicated and sincere efforts of my colleagues in POWERGRID.


(R.P. SINGH)
Chairman &
Managing Director

Date : 28th Sept., 2004
Place: New Delhi



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ANNUAL
REPORT
2003-04

Directors' Report

For the 15th Annual General Meeting held at New Delhi on 28th Sept. 2004

To,
The Members,
Ladies & Gentlemen,

It gives me immense pleasure to present on behalf of the Board of Directors, the 15th Annual Report of Power Grid Corporation of India Limited (POWERGRID), together with the Audited Statements of Accounts for the financial year 2003-04.

Project Conceptualisation & Implementation

During the year, investment approval for 10 Projects (involving 4,400 ckt. Km. of lines at an estimated cost of about Rs. 4,000 Crore) viz. Transmission Systems associated with Sipat-I, Tala and Teesta generation schemes and System Strengthening schemes in Northern & Southern Region was accorded and were taken up for implementation. In addition, Feasibility Reports for 18 Projects (costing about Rs. 11,200 Crore with 14,600 Ckt Kms of lines) have been finalized and are under various stages of investment approval.

During the year, 15 transmission projects (including three new substations) were commissioned, which include Chamera-II Transmission system - completed in a record time

of 10 months; Meramundali-Jeypore 400 kV S/c, Series compensation on Panki-Muradnagar; 400 kV S/c Khamam-Nagarjunsagar line - part of Ramagundam-III transmission system was commissioned 18 months ahead of schedule; Unified Load Despatch & Communication (ULDC) in NER, commissioned 7 months ahead of schedule, etc. It is the third project in the series of ULDC schemes in all the regional grids.

Besides above, about 40 projects (estimated cost: Rs. 7500 Crore) are under various stages of implementation, which are either ahead of schedule or on schedule. Major ongoing schemes include Generation Linked Transmission System like those associated with Dulhasti, Tehri, Dhauliganga, Rihand-II, Ramagundam-III, Tarapur 3 & 4 power plants; Inter-Regional Schemes like Gazuwaka HVDC Back-to-Back (2nd 500MW); Grid Strengthening of Bihar, Western Region and 400 kV Raipur-Chandrapur and Regional Load Despatch & Communication (ULDC) schemes in Western and Eastern Regions. Adoption of Integrated Project Management and Control Systems (IPMCS) for total project review, parallel processing for award along with investment approval etc. has contributed significantly towards timely implementation of projects.

The target for capital expenditure for the year was Rs. 2360 Crore including Rs. 40 Crore (approx.) towards customs



duty on NER-ULDC project. Though subsequently, the customs duty became not applicable, the actual capital expenditure stood at Rs. 2351 Crore.

Operation & Maintenance

At the end of financial year 2003-04, about 48,000 circuit kms of Extra High Voltage transmission lines, 82 Nos of EHVAC & HVDC sub-stations with transformation capacity of about 46,500 MVA are under operation, which carries about 40% of total power generated in the country. The system availability has been consistently maintained above 99% through deployment of State-of-the-art Operation & Maintenance techniques with emphasis being on preventive maintenance. These include, detection of punctured insulators on live line condition and replacement of defective insulators, pollution measurement by installing dummy insulator string to identify severity level in polluted stretches of the lines and introduction of Hotline Washing of insulators using ground washing equipment on trial basis, Recovery Voltage Measurement, etc.

Grid Management

In an effort to ensure delivery of quality power and to maintain grid discipline, implementation of Availability Based Tariff (ABT) was extended in Eastern Region w.e.f. April 01, 2003 and North-Eastern Region from Nov. 01, 2003. With this, ABT has been implemented all over the country.

Adoption of State-of-the-Art operational practices,

proactive preventive maintenance, Availability Based Tariff (ABT), modernization of RLDCs coupled with training & deployment of expert manpower and round the clock vigil for grid management have paid rich dividends and there were no major grid disturbances this year in any of the regional grids. In fact, tripping of lines and minor grid disturbances in regional grids have come down so significantly as to be reckoned as a benchmark achievement. Further, Western, Eastern & North-Eastern Regions with cumulative generation capacity of more than 50,000 MW continued to operate successfully in synchronous mode. This has further strengthened the grid reliability & security.

Efficient Grid Management practices have resulted in enhanced grid discipline leading to improved grid security, safety & reliability, enhanced inter-state and inter-regional bilateral power trading and thus facilitated meeting of higher demands from existing generating capacity, merit order operation within the regions, improved life expectancy of equipment involved in power generation/transmission/distribution as well as electricity driven equipment/appliances at consumers' end and optimal operation of hydro stations including Pumped Storage Projects, conserving water for peak-hour generation have all contributed to the economy.

Further, the UI mechanism, under ABT has incentivised all generators to maximise their generation during deficit conditions thereby facilitating optimal use of the available generating capacity and meeting higher consumer



demands. During this financial year, UI transactions amounting to Rs. 2900 Crore had taken place between various utilities involving both inter-regional and intra-regional exchanges.

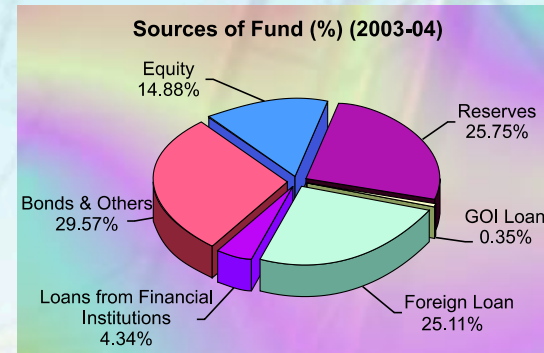
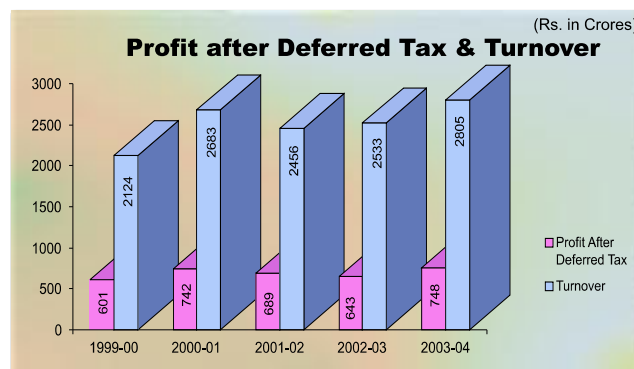
The ABT along with its UI mechanism has also played a key role in stabilisation of system frequency. Southern Region has experienced the most significant improvement. For example, in the pre-ABT era, system frequency remained round-the-clock close to 48.0 Hz whereas in the post ABT era, it is remaining close to 50.0 Hz with a maximum variation of +/- 0.3 Hz only.

Financial Management

The Company achieved a turnover of Rs. 2,805 Crore and Net Profit of Rs. 748 Crore during 2003-04, thereby registering growth of about 11% in turnover and over 16% in Net Profit compared to 2002-03. Gross Asset base of the Company has grown to about Rs. 20,000 Crore in 2003-04.

The significant change in the accounting policies are given below:

The policy of allocation of common expenses of Corporate Office and Regional Office to Incidental Expenditure During Construction (IEDC) and Revenue was reviewed, rationalised



and the Accounting policy was accordingly changed. This change in policy has resulted in increase in profit for the year by Rs. 19.81 Crore with the corresponding effect thereof in Capital Work-in-Progress (CWIP).

The notes on Annual Accounts (Schedule 18 of the Accounts) cover the changes in all accounting policies together with the implications thereof and have been brought out by the Auditors in para 3 of their report.

Dividend

The Board of Directors recommended a dividend of Rs.125 Crore for the year ended 31st March, 2004 so as to plough back the balance surplus for capital investment.

Transfer to Reserves

Appropriation of an amount of Rs.950 Crore towards General Reserve and Rs.80.02 Crore towards Bonds Redemption Reserve has been proposed.

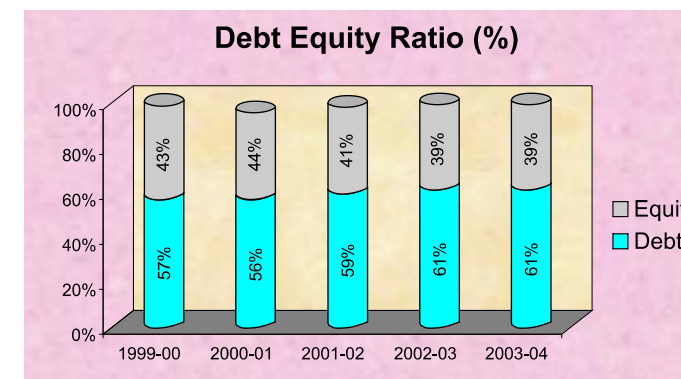
Directors' Responsibility Statement

As required under section 217(2AA) of the Companies Act, 1956 your Directors confirm that;

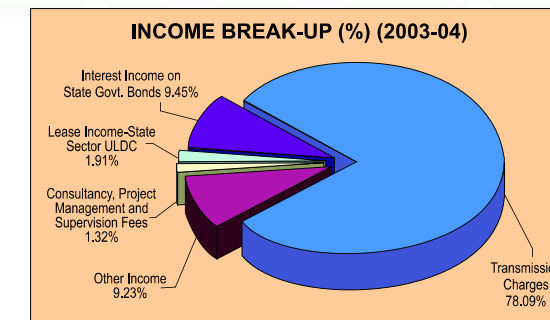
- In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of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

The company undertook a capital investment of Rs. 2351 Crore during the financial year 2003-04 and funds for the purpose were tied up from internal resources/bonds/other loans from domestic sources, grant from Govt. of India and ECB. Bonds worth Rs.900 Crore on private placement basis



were raised at competitive interest rate during the year. In addition, for pre-payment of higher interest rate GOI loans, Rs. 884.97 Crore of term loan was raised from LIC and Rs. 699 Crore of bonds were raised on private placement basis at competitive rates of interest, resulting in substantial savings in interest outgo during the residual life of the loans. The interest savings are being passed on to the Constituents by way of reduction in transmission charges. These Bonds have the Rating of "AAA" by CRISIL and "LAAA" by ICRA indicating



HIGHEST SAFETY and a fundamentally strong position.

Commercial Effectiveness

POWERGRID realized about 98.3% of its receivables during the year 2003-04, against 95% during previous year. Letter of Credit coverage for prompt realization of POWERGRID's transmission charges went up to Rs. 219.70 Crore per month (about 98% of the average monthly billing) as against of Rs. 188.60 Crore during previous year (about 92% of the average monthly billing). Under securitization scheme, almost all States signed the tripartite agreement and bonds worth Rs. 1716.40 Crore were issued against outstanding dues of POWERGRID which includes conversion of old bonds of Rs. 717.23 Crore. This

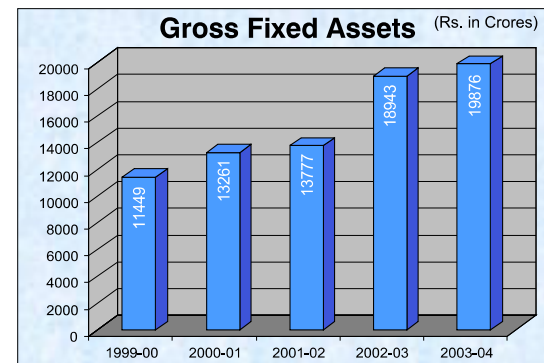
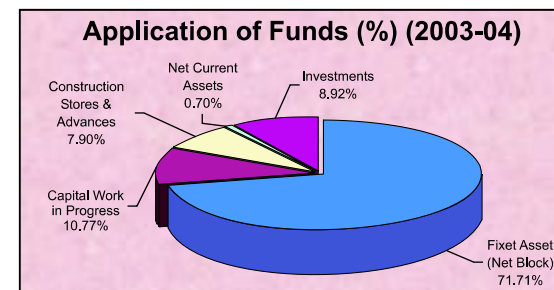
has helped in liquidation of past dues and has prompted timely payment of current dues.

Based on the all round performance during FY 2003-04, 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 have been undertaken.

Having completed first phase of National Grid in Sept., 2002, establishing an inter-regional power exchange capacity of 5000 MW, commissioning of projects associated with second phase of National Grid has already commenced. With the commissioning of Thyristor Controlled Series Capacitor (TCSC) on Raipur-Rourkela 400 kV D/c line in Aug'04, inter-regional power transfer capacity has increased to 9,000 MW. Using these inter-regional links, 22,000 MUs of energy were transferred across the regions during the year 2003-04, an increase of 70% from previous year. Such transfer has taken place mostly from power surplus Eastern Region to other regions. Thus, inter-regional transfer of power worth Rs.4,400 Crore



was facilitated, most of this power would have remained bottled up without the facilities created by POWERGRID. This has helped exporting region by way of reduced fixed generation charges and importing region by mitigating their power shortages. Thus, enhancement of inter-regional power transfer has added huge economic value.

New Initiatives

In Pursuit of Latest Technology

Fuelled with the reforms process that the GoI is currently pursuing, India is poised for accelerated growth in all the sectors of economy including electricity sector, being the prime input for the economic development. To keep pace with the extensive economic growth, the installed generation capacity of about 100,000 MW achieved in last five decades since independence is envisaged to be doubled in the next 10 years. This magnitude of development calls for massive augmentation in the transmission sector which requires adoption of new and efficient technologies to achieve sustainable growth.

Towards this, R&D has a significant importance. POWERGRID places utmost importance to R&D in transmission system. In this regard, POWERGRID has taken major initiatives in R&D

activities to maximize the utilization of existing infrastructure, optimization of Right-of-Way, reduction in the land requirement of substation, protection of wild life and flora & fauna in forest area, automation & remote operation of substations, phase-wise development of environment friendly high capacity transmission system etc.

In this direction, POWERGRID has already introduced many emerging and innovative technologies in the transmission system. Notable among them are:

- **Maximizing utilization of existing infrastructure:**

POWERGRID has adopted Series compensation on more than 20 nos of 400kV transmission lines and Thyristor Controlled Series Capacitor (TCSC) on seven (7) nos. of 400kV lines.

- **Conservation of Environment:**

POWERGRID has taken up several steps for effective utilization of transmission corridors for conservation of ROW. Major among these are voltage Upgradation of transmission lines,



temperature endurance conductor like INVAR, ACSS, Multi-conductor high capacity 400kV & 765 kV transmission lines. Further, several design optimization exercises have been carried out to reduce the land usage for transmission line as well as substation like reduction of ROW for 400 kV lines from 52 m to 46 m and & for 765kV line from 85 m to 64 m and optimization of bay width in the substation thereby reducing land requirement upto 25 acre in certain cases.

Further, POWERGRID has adopted State-of-the-art surveying techniques through use of satellite imaging thereby avoiding the environmentally sensitive areas, reduction in line length etc.

- **Enhancing the operational efficiency and reduction of operating cost:**

POWERGRID has implemented number of schemes for automation and remote operation of substations. In this regard, remote operation of 400kV Bhiwadi substation has already been implemented and blue print for automation / remote operation of all the POWERGRID substations has been made. This would reduce the requirement of manpower at site.

- **Indigenous development:**

POWERGRID has taken steps for development of pole/guyed tower structures and Emergency Restoration System (ERS) to reduce land requirement for tower erection as well as to



Hon'ble Prime Minister giving away Shramvir Awards to our employees

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.

PowerTel

Touching lives everywhere

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



- To establish Broadband Telecom Network of 20,000 kms connecting over 60 cities on extensively spread Transmission Infrastructure.
- Only utility in the country having overhead optic fibre on its Extra High Voltage Transmission Network.
- POWERGRID Telecom Network
 - Sturdy & Secure
 - Free from rodent menace and vandalism.
- Network has multiple self resilient rings for complete redundancy in backbone as well as intra-city access networks.

- To offer Total Solutions and to meet specific needs of the customers.
- Reliability of Telecom Network 99.99%.
- Bandwidth capacity available on all the metros & major cities.
 - Delhi, Mumbai, Chennai, Kolkata,
 - Jammu, Jalandhar, Shimla, Guwahati, Shillong, Imphal, Kohima, Hyderabad, Bangalore, Cochin, Ahmedabad, Indore etc.
- Extend telecom network to serve uneconomic and backward areas for the benefit of the common man.
- Plan to extend network to neighbouring countries for terrestrial SAARC Telecom Grid.
- Possess Infrastructure Provider - II (IP-II) Licence & ISP Category - "A" Licence to provide telecom services in the country.
- Introduce other Value Added Services.
 - Video Conferencing
 - Virtual Local Area Network (VLANs)
 - Multi Protocol Label Switching (MPLS) based VPNs Data Centres.
 - Voice Over Internet Protocol (VOIP)

enhance its aesthetic value and also to minimize down time during emergencies.

In its pursuit towards excellence, POWERGRID's future thrust areas for R&D are focused on number of emerging issues in transmission sector including development of ± 600 kV HVDC upgradable to ± 800 kV, optical CTs for AC system, High Surge Impedance lines, indigenous development of 320 KN and 420 KN insulators, other high temperature conductors, 800 kV GIS etc.

Strategic Alliance

Attracting Private Investment

POWERGRID established First Public-Private joint venture in Indian Power Sector with M/s Tata Power for implementation of "Transmission system associated with Tala HEP in Bhutan, East-North inter-connector and Northern Region Transmission System", estimated to cost about Rs. 1,374 Crore. This project has received excellent response from International Funding Institutes like IFC, Washington; private investment arm of ADB, Manila and Indian Financial Institutions like IDFC, SBI. The limited recourse loan (Project-financing) is without any



counter guarantee from POWERGRID and GOI. The JV Company has received its transmission licence from CERC, the first such license in Indian Power Sector. In fact this JV model of Public - Private Partnership in transmission sector, developed by POWERGRID, is not only first in India but also in Asia and has become trend setter for future private investment in India & abroad. Financial closure of the project has been achieved and first disbursement of loan has already been received by the JV Company.

Consultancy Business

During the year, POWERGRID secured 31 consultancy assignments for projects costing more than Rs. 2100 Crore and involving a consultancy fee of about Rs. 165 Crore. Presently, POWERGRID is assisting various State Power utilities in implementation of their transmission /sub-transmission projects on turnkey basis. Some of such assignments are implementation of Vishnu Prayag transmission system for UPPCL in snowy and hilly terrain in stringent commissioning schedule of 36 months, transmission line from Indira Sagar to Indore for MPEB in record eight months, sub-transmission works for Bihar etc. In the international arena, POWERGRID completed survey work for a 220 kV D/C transmission system passing through hostile hilly & snow bound terrain in Afghanistan at an altitude upto 4000 m, transmission route infested with land mines and heavy snow deposits from 1m to 4m in depth.

POWERGRID is also extending expertise to SEBs in various maintenance technologies like Thermovision Scanning, Punctured Insulator



Detector (PID) and Dynamic Contact Resistance Measurement (DCRM). Towards overall system improvement and better grid operation and to facilitate percolation of knowledge and expertise, POWERGRID has organized seminars on "Maintenance Philosophy of POWERGRID" for O&M personnel of various SEBs.

Capitalising on New Business Opportunities

Convergence with Telecom

In order to shore up its revenue base, your company spotted the opportunity of convergence between transmission & telecom and diversified into Telecom to utilize spare telecommunication capacity of its Unified Load Dispatch Centre (ULDC) schemes, leveraging its country wide transmission infrastructure. POWERGRID plans to build about 20,000 Kms of telecom network connecting about 60 cities. POWERGRID's telecom network will provide a robust highway

of tele-communication at affordable cost with ultra modern and eco-friendly implementation techniques. Most of the telecom network connecting major cities like Delhi, Chandigarh, Jammu, Jaipur, Lucknow, Mumbai, Ahmedabad, Pune, Hyderabad, Bangalore, Chennai, State capitals in North-Eastern Region, etc. has already been operationalised. Agreements were signed with leading telecom players like VSNL, Data Access, Daksh, Convergys, Bharti Telenet, Spectranet, etc. for using POWERGRID's telecom network.

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 to oversee implementation of APDRP schemes in 105 distribution circles spread over 18 States. During Year 2003-04, APDRP Schemes for 35 Circles/towns amounting to Rs. 1558 Crore were approved where POWERGRID was Advisor cum Consultant. In addition, POWERGRID has undertaken implementation of APDRP schemes worth Rs. 900 Crore on bilateral basis, in the States of Bihar, Goa and Meghalaya.

POWERGRID is also executing Rural Electrification works of 2400 villages in Bihar on behalf of BSEB costing about Rs.174 Crore, covered under "Pradhan Mantri's Gramodaya Yojana (PMGY)".



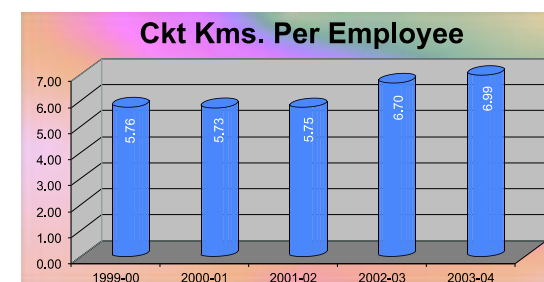
POWERGRID signs an agreement with REC for taking up electrification of villages and households in the country



Leveraging Human Capital to achieve excellence

POWERGRID believes that its human resources consisting of about 7000 employees is the most important asset and accordingly, its policies are focused on development of human potential through skill upgradation, career enhancement and job rotation to achieve organizational objectives. An effective work culture has been established in the organization through empowerment, transparency, decentralization and innovative practice of participative management through 'Open House' interaction.

Human Resource Development (HRD) is considered as a strategic function in POWERGRID. During the year, the company has designed and executed business aligned management development, technical training and competency enhancement programmes on its own and also in collaboration with reputed management development institutes such as IIMs, XLRI, ASCI, MDI and technical training institutes that include IITs, NPTI, Hotline Training Center. The company imparted training to 1602 employees during financial year 2003-04, surpassing the MoU target of 1,500.

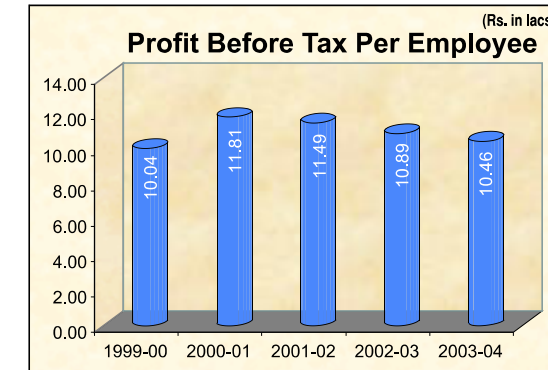


POWERGRID's higher productivity is demonstrated by an average annual growth of about 39% in the asset base of the company with a manpower growth of only about 1.7% per annum and profit per employee has gone up from Rs. 4.2 lakhs in FY 1992-93 to Rs. 10.95 Lakhs in FY 2003-04.

POWERGRID has also focused on the development of Human potential of the State utilities by imparting suitable training to their personnel aimed at skill up-gradation for better



management of the grid and utilisation of the facilities provided under the state-of-the-art Unified Load Dispatch Scheme provided in the regions. A number of such programmes have been organised in the Southern and Northern Regions in which a large number of engineers of the State utilities participated. This has resulted in full use of different facilities available in ULDC scheme and helped in improved grid management by way of optimal utilisation of the available generating capacity and stabilisation of



the system frequency thereby enhancing security of our regional grids.

Corporate Social Responsibility

At all places of its operation, POWERGRID adopts neighbourhood villages and contributes to the society in various ways by building schools, organizing regular medical checkups, carrying out vaccination programmes, plantation of trees, introducing concepts of Rain water collection/harvesting for horticulture & community purposes to increase the level of ground water. At Bangalore, the employees contributed for "Akshaya Patra" a mid-day meal scheme for down trodden children studying in various schools in and around Bangalore, under which mid-day meals shall be provided for 12 years.

Implementation of Rajbhasha

In pursuance of Govt. of India's policy to promote extensive use of Rajbhasha in the corporation,



POWERGRID has been notified in the gazette for using Hindi in all its official works. During the year, the Parliamentary Committee on Rajbhasha visited various establishments of the Corporation and found implementation of Rajbhasha to be highly satisfactory. The efforts made by POWERGRID in promoting the implementation of Rajbhasha has been applauded in many forums, which is reflected in POWERGRID bagging the Rajbhasha Shield of Ministry of Power. About 400 employees have been imparted training in subjects related to Rajbhasha and a large number of employees have been imparted training in Hindi software.

E-Governance:

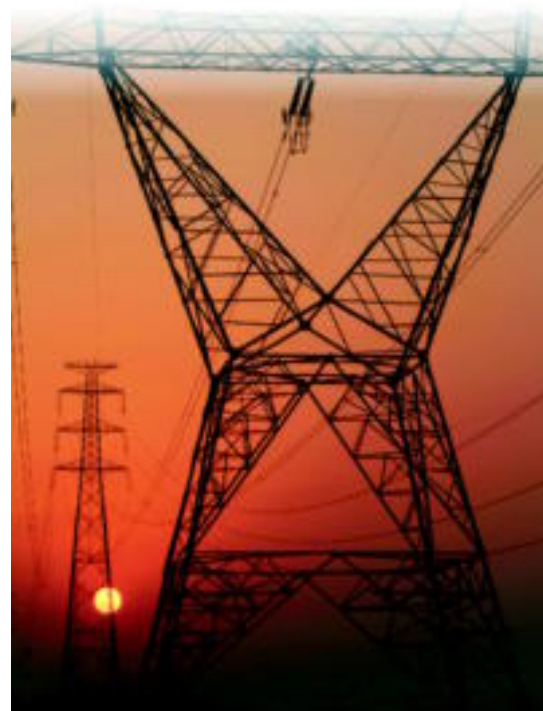
POWERGRID is systematically developing competency to employ Information Technology for efficient and effective discharge of its functions. The video conferencing facility implemented in the company is extensively used for project monitoring and other multi-locational meetings and conferences, thereby reducing the travel time of the senior executives and has also resulted in cost savings. State-of-the-art 1200 node IT network infrastructure has been established at Gurgaon office complex with latest features, like Wi-Fi. video conferencing facility has been implemented in the capacity of technical expert cum co-ordinator for MOP and CPSUs under MOP. Information Management Systems & Management Information Systems in various functional areas have been developed in-house. Company wide ERP implementation process has been initiated to bring IT application on a common platform.

Management of Environmental and Social Issues

Creating Sustainable Corporate Values

POWERGRID, being in the infrastructure sector, is in enviable position to directly contribute to the society. Power, today drives all the economic activities in the society. POWERGRID, as the provider of inter-state transmission facilities and as operator of the countrywide electrical grids, has a pivotal role in country's power sector.

The sustainability of corporate values is proven by the fact that they are in consonance with the values cherished by the society. The objectives of the company are in alignment with the requirements of its stakeholders. End results of such value system are witnessed in all-round performance of the company, which has surpassed the targets. The company continues to make conscious



A view of one of the eco-friendly substations

efforts not only for sustaining such value-system but also inculcating desirable values. In fact, the World Bank is getting the studies conducted to capture these so as to benchmark them with respect to international standards.

Concern for Environment

Impact of POWERGRID's business on environmental degradation is almost negligible, however, it believes that conservation and management of the environment has to remain the integral and essential part of economic development. Various initiatives towards protection of natural resources and environment conservation are being under taken namely reduction in Right of Way through innovative tower structure designs, tall tower designs and multi circuit towers in ecologically sensitive areas, Rain water harvesting and collection of used/waste water for conservation and recharging of ground water in all upcoming buildings and substations, massive plantations in all POWERGRID installations. Following the well established principles of environmental management, POWERGRID has evolved its own Environmental and Social Policy & Procedures (ESPP) in consultation with a wide section of people to take ample care of

environmental and social issues arising out of its activities. This ESPP document, which has been inducted for application in all of its projects, helps to address all environmental and social issues at appropriate time and in appropriate manner.

POWERGRID has been successfully implementing the ESPP through in-house designing of Rehabilitation Action Plan (RAP) and Environment Assessment Management Plan (EAMP). All projects were implemented according to these plans. POWERGRID recognises that sustainable development has a strong international dimension therefore, POWERGRID has constituted a committee of eminent persons and experts in this field, which shall not only review the ESPP document keeping in view the international best practices but shall also oversee its compliance by POWERGRID. These plans are executed at site and monitored 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

POWERGRID has been making efforts in the recent past to recruit handicapped persons and give them a representation in employment which is their due. In the recruitment of Executive Engineer (Trainees) in Group "A" posts during the year POWERGRID has recruited two engineers.

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 Organization 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 organized 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 organized in the regions on ethics and vigilance, for about 125 non-vigilance executives.

POWERGRID also organized one-act play competition, thematic lectures by eminent personalities, debates, essay & slogan competition on the occasion of the Vigilance Awareness Week.

Management Discussion and Analysis

A report on Management Discussion and Analysis is placed at **Annexure-I**.

Particulars of Employees

The particulars of employees of the Corporation who were in receipt of remuneration in excess of

the limit prescribed under Section 217 (2A) of the Companies Act, 1956 is given in **Annexure-II** to this Report.

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

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

Comptroller and Auditor General's comments

Review of the accounts for the year ended 31st March, 2004 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 is given in **Annexure-IV** 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-V** to this report.

POWERGRID'S Board

During the year, few changes took place in the constitution of the Board. Shri Bhanu Bhushan, Director (Operations) relinquished the office

w.e.f. 3rd February, 2004 to join as Member, Central Electricity Regulatory Commission. The Board congratulates him on his elevation to the post of Member, CERC. The Board also places on record its deep appreciation and gratitude for his invaluable contribution during his tenure. During the year, Shri A.K. Kutty, Jt. Secretary, MOP ceased to be on the Board of POWERGRID w.e.f. 17.06.2003. Shri Shashi Shekhar, Jt. Secretary, MOP joined the Board vice Shri A.K. Kutty and was on the Board of POWERGRID upto 06.10.2003. The Board acknowledges the contribution and guidance received from them. Shri Gireesh B. Pradhan, Jt. Secretary, MOP joined POWERGRID Board w.e.f. 27.11.2003. Shri J. Haque has been appointed as Director (Operations) w.e.f. 16.09.2004. Appointment of non-official part-time directors, whose place fell vacant on 26.07.2001 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, Deptt. 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.

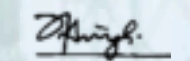
The Directors take this opportunity to thank the Principal Director of Commercial Audit and Ex-Officio Member Audit Board-III for the cooperation during the year. Directors also acknowledge the valuable suggestions and guidance

received from the statutory auditors viz. M/s. O.P. Bagla & Co., M/s. B.M. Chatrath & Co. and M/s Veerabhadra Rao & Co. during the audit of accounts of the company for the year under review.

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.

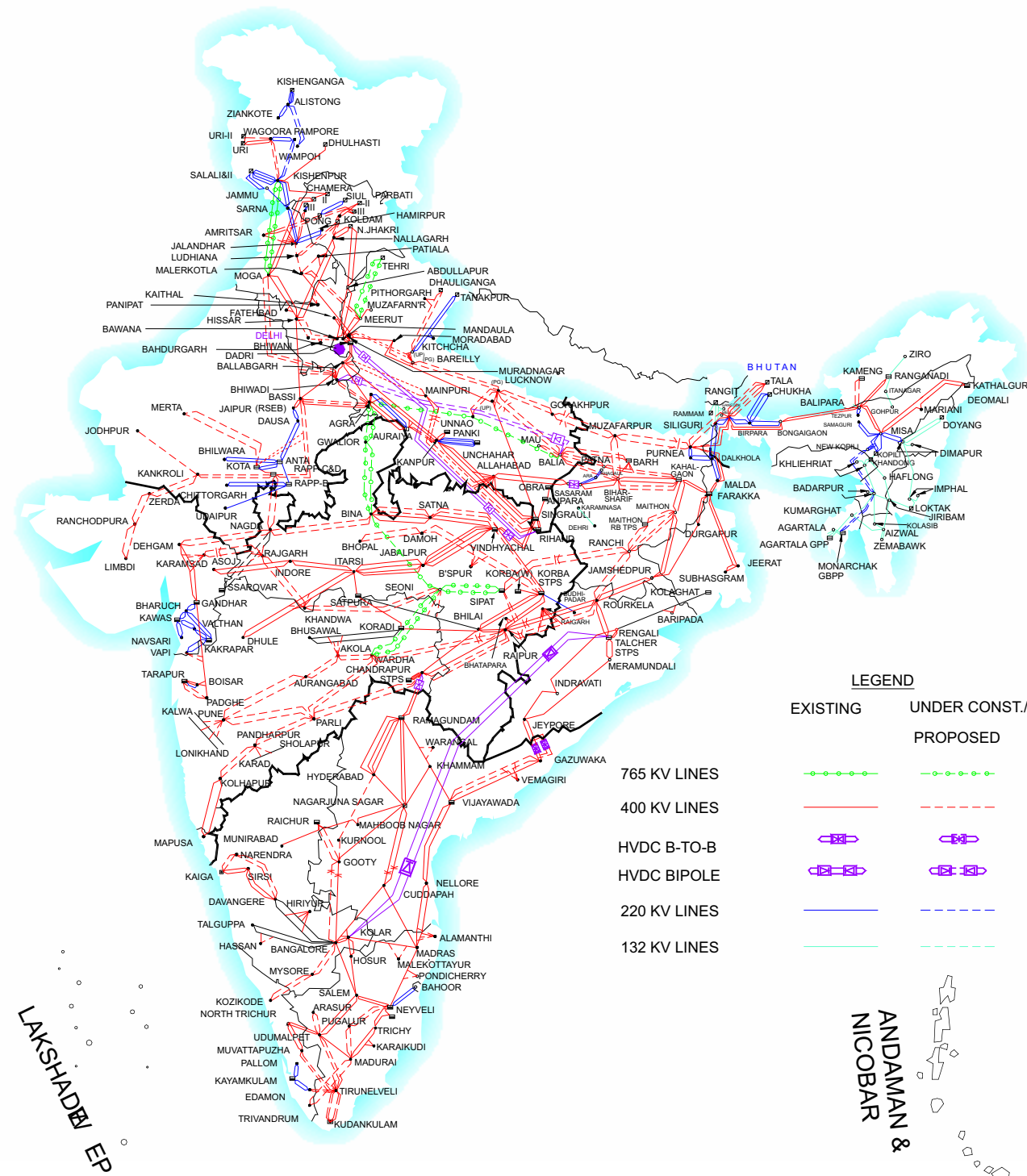
Last but not the least, the Board of Directors place on record the valuable contribution and appreciation for the support and the cooperation extended by each member of the POWERGRID family in the affairs of the company.



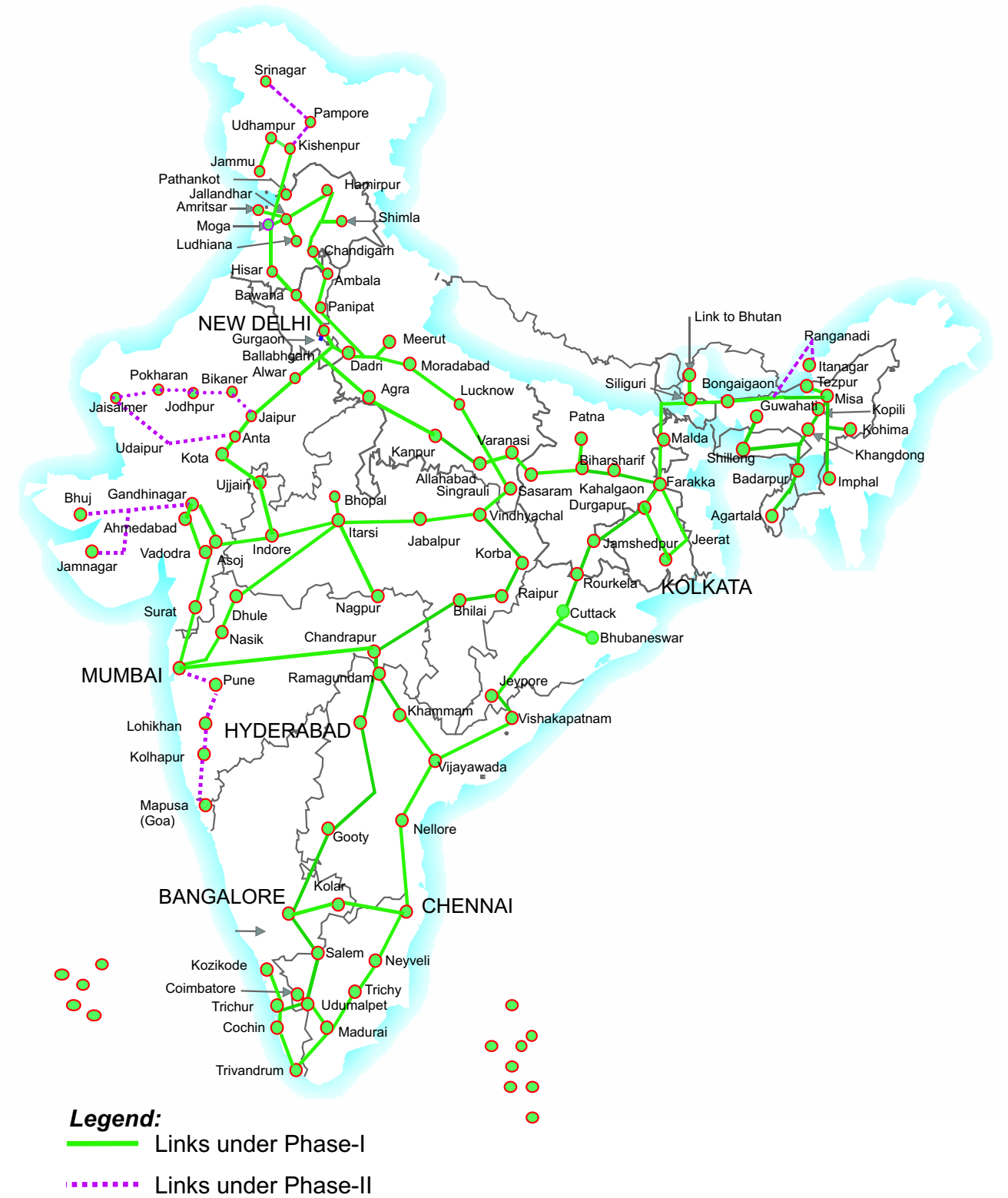

(R.P. SINGH)
Chairman &
Managing Director

Date : 28th Sept., 2004
Place: New Delhi

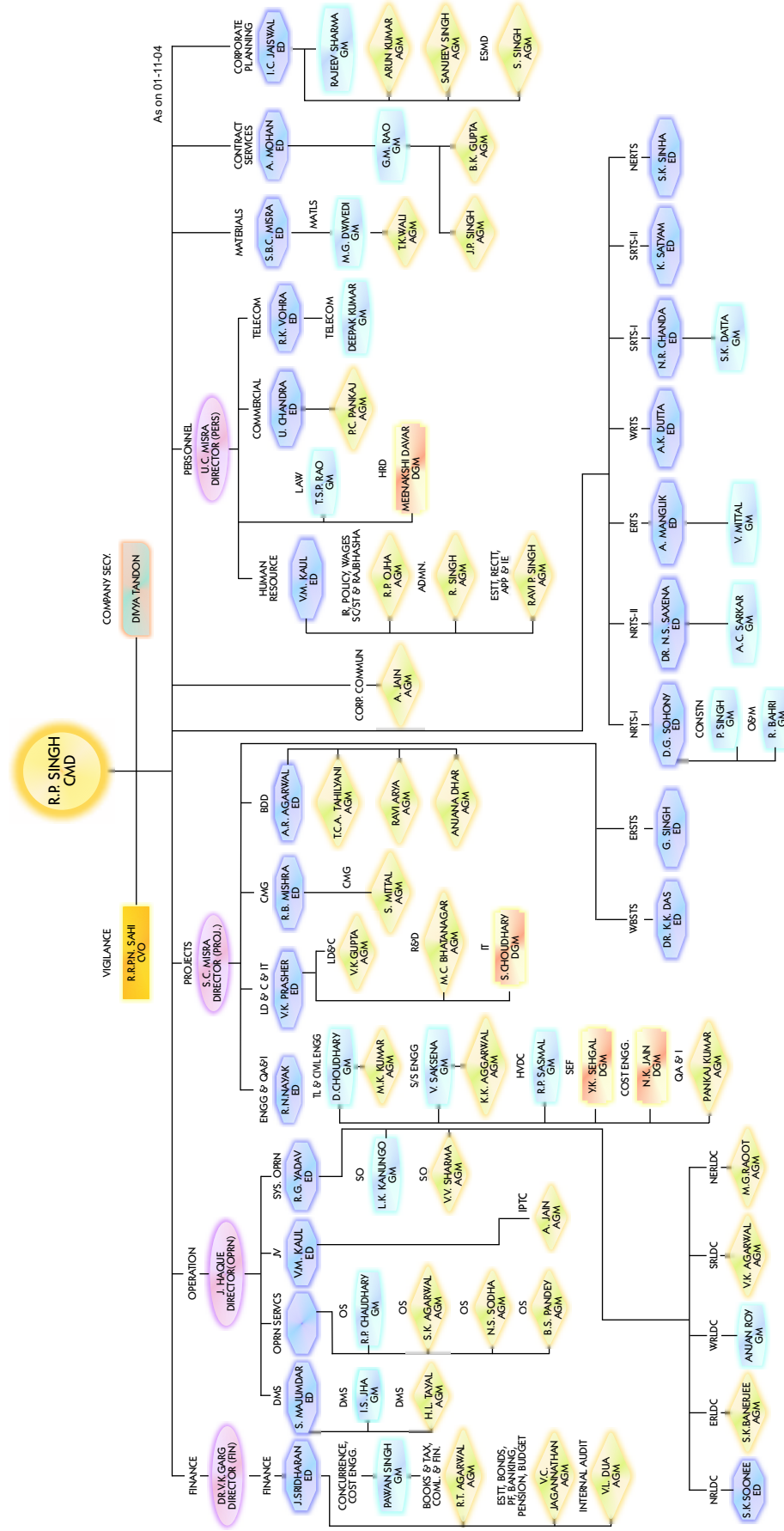
POWER MAP OF INDIA



POWERGRID BROADBAND TELECOM NETWORK



POWERGRID ORGANISATION CHART



Accounts





पावरग्रिड

ANNUAL
REPORT
2003-04

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 S.C. Misra
Director (Projects)
Since 01.09.2001



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



Shri J. Haque
Director (Operations)
Since 16.09.2004



Shri G.B. Pradhan
Jt. Secretary (MOP), Govt. Director
Since 27.11.2003



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



Shri Bhanu Bhushan
Director (Operations)
From 13.11.1997 to 03.02.2004



Shri Shashi Shekhar
Jt. Secy. (MOP), Govt. Director
From 17.06.2003 to 06.10.2003



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

Company Secretary
Ms. Divya Tandon

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

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

M/s. Veerabhadra Rao & Co.
H.No. 1-2-412/2B/1,
Gagan Mahal Colony,
Hyderabad - 500 029.

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



BANKERS

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



पावरग्रिड

Chairman Speaks

at the 15th Annual General Meeting held at New Delhi on 28th Sept. 2004



Ladies and Gentlemen,

I welcome you all at the 15th Annual General Meeting of your company. I am happy to announce that POWERGRID has registered a profit of Rs. 748 Crore over a turnover of Rs. 2,805 Crore in the FY 2003-04, recording a growth of 11% in turnover and 16% in net profit compared to FY 2002-03. The net profit though appears to be high, but if seen in the perspective of company's net worth and gross block, it is not that attractive. Our financial performance could have been better but for continued revenue gap in North Eastern Region and delayed commissioning of hydro projects that have adversely affected our return on investments. Delayed commissioning of hydro projects continues to be a cause of concern despite our best efforts to co-ordinate their schedule. The revised tariff norms have also affected our profit and turnover.

I would like to share with you that POWERGRID has replaced costly loans worth Rs.1,575 Crore with cheaper loans, which has resulted into reduction of tariff by Rs. 90 Crore in FY 2003-04. This saving has been passed on to various beneficiary states.

An Investment of Rs. 70,000 Crore is planned for creation of National Grid during 10th and 11th plans. Out of this POWERGRID's share is Rs. 50,000 Crore. I can assure you that in spite of conservative Return on Investment, as stated



above, we would be able to arrange our share. However, proposed investment of Rs. 20,000 Crore through private sector largely depends on government policy and CERC regulations.

PROJECT EXECUTION

At the end of the financial year 2003-04, I'm happy to inform you that your company is operating around 48,000 circuit kms of Extra High Voltage transmission lines along with 82 Nos. of EHVAC & HVDC sub-stations with a transformation capacity of about 46,500 MVA, which carry about 40% of the total power generated in the country. While achieving this, POWERGRID has developed unique mechanism to tightly control conceptualization/ procurement/ implementation time cycle of the projects. Various proactive initiatives taken over a period of time have become integral part of POWERGRID's working culture. This has provided requisite momentum to implement projects within approved schedule & in many cases well ahead of schedule to meet system requirement, including mitigating regional imbalances.

GRID MANAGEMENT & SYSTEM OPERATION

I am proud to share with you that today POWERGRID stands as one of the leading transmission utilities in the world, expanding its network in integrated manner, which is missing even in developed countries. This has been feasible and possible only because the responsibility & authority for establishment & operation of the grid along with Load Despatch Centres is with a single agency i.e. POWERGRID. I have been a keen watcher of Power System development around the world for more than a decade and have also participated in various international forums on Grid expansion and operation. It has emerged that whichever country has separated these responsibilities, system expansion in that country has been adversely affected because of lack of single source responsibility, authority & appreciation for grid expansion and management.

This has led to increased system outages.

For Grid Management, POWERGRID has adopted prudent operational practices, undertaken preventive maintenance, facilitated implementation of Availability Based Tariff

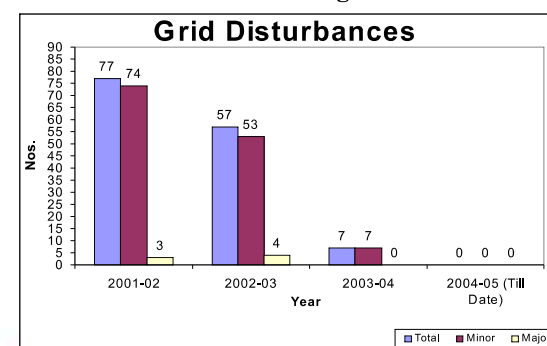




(ABT) & Free Mode Governor Operation (FMGO), undertaken modernization of Regional Load Despatch & Communication systems, provided intensive training and deployed expert manpower. Our efforts in modernization of Regional Load Despatch Centres (RLDCs), have been commended by The World Bank in one of their Aide Memoire, as under:

“POWERGRID has achieved a unique landmark with the commissioning of the largest and complex system coordination and control projects in Northern & Southern Regions, having three hierarchical levels as against two levels being implemented worldwide”.

Commitment of POWERGRID for Grid Management is reflected not only through these initiatives but it is heartening to inform that our



senior officials including Boards' Functional Directors man the Regional Load Despatch Centres, particularly Northern Region during demanding grid conditions. I'm happy to announce that these moves have paid rich dividends and system availability has been consistently maintained above 99%. **There was no major grid disturbance in any of the regional grids in FY 2003-04.** Minor disturbances have dramatically reduced from fifties to single digits. The system parameters like voltage & frequency have been brought closer to international standards. **With sense of pride I would like to share with you that there was no major grid disturbance in the country in last two years, which is a standard in itself, if compared to our own previous records and also international records.**

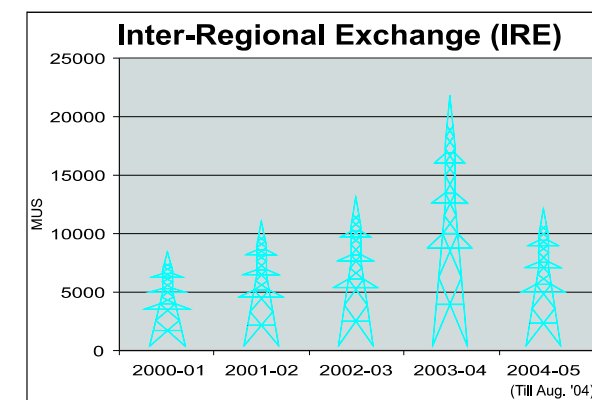
I would like to share with you that during last week of August 2004, I had an opportunity to attend Conference of International Council on Large Electric Systems (CIGRE) in Paris. During various discussions on major/minor grid disturbances, we were informed that most of the countries including USA, UK, Italy, Spain, and Malaysia etc had grid collapses in the year 2003-04. The major reason cited for such collapses was inadequate growth of transmission system along with lack of modern Load Despatch & Communication facilities. In view of this, **I walked a foot taller during the conference having claimed with pride the**

stability with which POWERGRID manages its Grid.

Further, as you are aware, as a part of Power Sector Reform process, the Electricity Act 2003 has enabled “Open Access” to the transmission network. CERC's notification in this regard is a major landmark. POWERGRID, as directed by CERC, has issued procedures and guidelines for short-term and long-term 'Open Access', which is working very satisfactorily.

INTER-REGIONAL POWER TRANSMISSION

POWERGRID has been persistent in its efforts to



enhance inter-regional power transfer capacity to facilitate optimal utilization of generating resources. With the commissioning of Thyristor Controlled Series Capacitor (TCSC) on Raipur-Rourkela 400 kV D/c line in Aug'04, inter-regional power transfer capacity has increased to 9,000 MW. Transfer of 22,000 MU's of energy across the Regions was facilitated during the year 2003-04, an impressive increase of 70% over the previous

year. This transfer has taken place mostly from power surplus Eastern Region to other Regions. Thus, power worth Rs. 4,400 Crore was exchanged amongst the Regions. It has generated economic activities worth Rs. 88,000 Crore, considering 20 times addition in economy with addition of each rupee worth of energy, During the FY 2004-05, till Aug'04, inter-regional power transfer of 12,000 MU's has already taken place.

PUBLIC-PRIVATE PARTNERSHIP

Regarding private investment, if you recall, we had taken decision to adopt two routes namely Joint Venture (JV) route and Independent Power Transmission Company (IPTC) route. Because of high risk involved, IPTC route has not taken off, while JV route appears to be a workable option. On JV route excellent progress has been made. The first Joint Venture of Tata Power and POWERGRID i.e. the “Powerlinks Transmission Ltd.” is implementing the transmission system associated with Tala project and East North Inter-connector. The project is progressing satisfactorily and will be completed in time. Response of the financiers to this project had been excellent and this is also being treated as a model for public-private partnership in India and abroad. In this regard, I would like to refer to the communication received from a major funding partner i.e. International Finance Corporation (IFC), Washingt



FIVE YEARS' SUMMARY

FINANCIAL POSITION	(Rs. in lacs)				
	2003-04	2002-03	2001-02	2000-01	1999-00
(A) WHAT THE COMPANY OWNED:					
Gross Fixed Assets	1987623	1894330	1377679	1326092	1144955
Less: Depreciation	499240	434456	387090	347654	277064
Net Fixed Assets	1488383	1459874	990589	978438	867891
Capital Work-in-Progress & Construction					
Stores & Advances	387606	259258	587498	315345	325116
Investments	185113	73908	73903	39747	15147
Current Assets ,Loan & Advances	292480	311273	244218	224735	204215
TOTAL (A)	2353582	2104313	1896208	1558265	1412369
(B) WHAT THE COMPANY OWED:					
Borrowings From:					
-Govt. of India	7211	165997	177243	185258	185802
-Financial Institutions	89740	24793	25449	15605	15760
-Foreign Loans	518875	481571	356707	286865	279119
-Cash Credit				2	748
-Other Loans/Bonds	610812	471967	432952	318486	250008
Current Liabilities & Provisions	220251	139819	158326	91486	87636
Deferred Tax Liability	18231	23286	19403		
Advance against Depreciation	39533	20912	15719		
TOTAL (B)	1504653	1328345	1185799	897702	819073
(C) NET WORTH OF THE COMPANY REPRESENTED BY :					
(i) Equity capital (including Deposit)	307406	307406	306781	306388	304954
(ii) Free Reserves and Surplus	486749	424611	369502	320604	250801
(iii) Less: Misc. Exp. to the extent not written off	3900	775	572	2283	827
TOTAL (C)	790255	731242	675711	624709	554928
(D) COMMITTED RESERVES & LIABILITIES					
(i) Capital Reserves	9400	11206	11206	11206	11206
(ii) Grants in Aid	29751	33520	23492	24648	27162
(iii) Development Surcharge Reserve	19523				
TOTAL (D)	58674	44726	34698	35854	38368
TOTAL (B+C+D)	2353582	2104313	1896208	1558265	1412369
(E) CAPITAL EMPLOYED (Net Fixed Assets+Net Current Assets)	1502848	1587130	1041359	1111687	984470
(F) RATIOS					
Net Profit to Capital Employed(%)	4.98	4.05	6.61	6.68	6.10
Net Profit to Net Worth(%)	9.47	8.79	10.19	11.89	10.83
Net Worth per Rupee of Paid-up Capital (in Rs.)	2.57	2.38	2.20	2.04	1.82
Debt/Equity Ratio	61:39	61:39	59:41	56:44	57:43
Liquidity Ratio	1.05:1	1.69:1	1.26:1	2.46:1	2.33:1

OPERATING RESULTS**(Rs. in lacs)**

	2003-04	2002-03	2001-02	2000-01	1999-00
(A) EARNED FROM :					
Transmission Charges	219061	195748	206328	231764	178950
Sale of Power		12645	17676	16701	17780
Consultancy & other income	61481	44881	21548	19797	15657
Total Earnings	280542	253274	245552	268262	212387
(B) PAID & PROVIDED FOR :					
Purchase of Power		12643	17615	16683	17777
Employees Remuneration & Benefits	24105	19052	17530	21738	14258
Transmission Expenses	7147	5926	4984	5832	4323
Administration Expenses	10611	9263	8692	8107	7841
Other Expenses (Including Prior Period Adjustment)	4329	835	1358	1354	-151
Deffered Revenue Expenditure	1385	111	96	525	178
Provisions	1798	13960	10539	18	315
Total Expenditure (Excluding Depreciation & interest)	49375	61790	60814	54257	44541
Profit before Depreciation & interest	231167	191484	184738	214005	167846
Depreciation	60642	46259	39409	71712	57763
Interest & Finance Charges	99096	70041	65804	61068	42019
Net Profit after Interest & Depreciation but before Tax	71429	75184	79525	81225	68064
Provision for tax	1664	7042	7223	6976	7976
Net Profit after MAT	69765	68142	72302	74249	60088
Deferred Tax	-5055	3883	3440		
Profit after Deferred Tax	74820	64259	68862		
Dividend	12500	10000	5066	5000	2000

REVENUE EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR ENDED 31ST MARCH, 2004

	(Rs. in Lacs)	
	As on 31.03.2004	As on 31.03.2003
Township		
a) Depreciation	425	350
b) Repair & Maintenance	351	283
c) Others	<u>347</u>	<u>207</u>
	1123	840
Educational & School Facilities	172	230
Medical Facilities	1697	1472
Subsidised Transport	229	212
Social & Cultural Activities	532	621
Subsidised Canteen	<u>427</u>	<u>419</u>
Total	4180	3794
Less: Recoveries	<u>116</u>	<u>86</u>
Net	<u>4064</u>	<u>3708</u>

ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

2. RESERVES AND SURPLUS

- 2.1 Grants-in-aid received from Central Government or other authorities towards capital expenditure for Projects and betterment of transmission systems are shown as grants-in-aid under “Reserves and Surplus” till the utilisation of grant. However, grants received for specific depreciable assets are shown under “Reserves and Surplus” while the assets are under construction.
- 2.2 Development Surcharge received from the constituents towards new transmission capacity addition is shown under ‘Reserves and Surplus’ till the projects are under construction.
- 2.3 On capitalisation of related assets, grants received for specific depreciable assets and development surcharge 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.

3. FIXED ASSETS

- 3.1 Fixed Assets are stated at original cost of acquisition including freight, insurance, duties, taxes & other incidental expenses incurred to bring the asset to put to use.
- 3.2 In the case of commissioned assets, deposit works/cost- plus contracts where final settlement of bills with contractors is yet to be effected, capitalisation is made on provisional basis subject to necessary adjustments in the year of final settlement.
- 3.3 Assets and Systems common to more than one Transmission System are capitalised on the basis of technical estimates and /or assessments.
- 3.4 The cost of land includes provisional deposits, payments/liabilities towards compensation, rehabilitation and other expenses but does not include the deposits/advances/expenditure incurred wherever possession of land is not taken.
- 3.5 Expenditure on levelling, clearing and grading of land is capitalised as part of cost of the related buildings.
- 3.6 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.
- 3.7 Insurance Spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalised and depreciated over the residual useful life of the related plant & machinery.
- 3.8 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.

4. CAPITAL WORK IN PROGRESS (CWIP)

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

5. CONSTRUCTION STORES

Construction stores are valued at cost.

6. EXPENDITURE DURING CONSTRUCTION

- 6.1. The common expenses (Net) of Corporate Office & Regional office are allocated to various diversified activities of the company like Transmission & Telecom, Consultancy, RLDCs & APDRP in the ratio of the income/reimbursement of each activity respectively.

6.2 The common expenses thus allocated are further allocated to Incidental expenditure during construction (IEDC) and Revenue in Transmission and Telecom activities in the ratio of capital outlay thereof to transmission charges (excluding income tax recovery) and telecom income.

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

7. BORROWING COST

7.1 All the borrowed funds are earmarked to specific projects. The borrowing costs (including Bond Issue expenses, Interest, Front End fee, Management fee etc.) are allocated to the projects in proportion to the funds so earmarked.

7.2 The borrowing costs so allocated are capitalised or charged to revenue, based on whether the project is under construction or in operation.

8. TRANSACTION IN FOREIGN CURRENCY

Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of transaction. Foreign Currency loans/deposits/liabilities are translated/converted with reference to the rates of exchange ruling at the year-end. Difference is adjusted to Capital Work-in-Progress/Fixed Assets in case of Capital Assets and is charged off to revenue, in the case of Current Assets.

9. INVESTMENTS

Long term investments are carried at cost less provisions, if any, for permanent diminution in the value of such investments. Current investments are carried at the cost or fair value, whichever is lower.

10. VALUATION OF INVENTORIES

10.1. Inventories, other than scrap, are valued at cost on weighted-average basis.

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

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

11. DEFERRED REVENUE EXPENDITURE

11.1 The Transmission system is capitalised when it is ready for intended use. However, in case of delay in commercial operation / earning of revenue, the depreciation and revenue expenditure (excluding interest charges) during the intervening period were treated as Deferred Revenue Expenditure (DRE) upto 31.03.2003 (prior to the date AS-26 became mandatory) and are amortized over a period of 5 years from the year of commercial operation/earning of revenue.

11.2 From 1/4/2003 such expenditure along with depreciation are considered revenue expenditure in view of provisions of AS-26 on "Intangible Assets".

12. REVENUE RECOGNITION

12.1.1 Transmission Income is accounted for based on tariff rates notified by Central Electricity Regulatory Commission (CERC). In case of transmission projects where tariff rates are yet to be notified, transmission income is accounted as per tariff norms notified by CERC and shortage/excess, if any, is adjusted based on final notification of tariff by CERC in similar cases.

12.1.2 Advance Against Depreciation, forming part of tariff, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.

12.2 Surcharge/development surcharge recoverable from debtors is not treated as accrued due to uncertainty of its realisation, and is, therefore accounted for on receipt/certainty of receipt basis.

12.3 Liquidated damages/warranty claims and Interest on advances to suppliers are not treated as accrued due to uncertainty, and are, therefore, accounted for on receipt/acceptance basis.

12.4 Income from Consultancy/Contract Services is accounted for on the basis of actual progress/technical assessment of work executed.

12.5 The Transmission system Incentive/Disincentive is accounted for based on the norms notified/approved by Central Electricity Regulatory Commission from 01.04.2001 and as per notification No. 2/3/Powergrid/Tariff/98 dated 04.02.99 of Government of India upto 31.03.2001 on certification of availability by the respective Regional Electricity Boards.

12.6 Scrap other than steel scrap & conductor scrap is accounted for as and when sold.

12.7 Dividend including interim dividend is recognised as income in the year of declaration.

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

13.1 State Sector ULDC assets leased to the SEBs are considered as Finance Lease. Net investment in such leased assets along with accretion in subsequent years is accounted as Lease Receivables under Loans & Advances. Wherever grant-in-aid is received for construction of State Sector ULDC, lease receivable is accounted for net of such grant.

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

13.3 Exchange Rate Variation (ERV) on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenor of lease. ERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.

14. DEPRECIATION

14.1.1 Depreciation is provided on Straight Line Method at the rates specified in norms notified by Central Electricity Regulatory Commission (CERC) for the purpose of recovery of tariff on pro-rata basis. In respect of assets, where rates have not been specified in the said notification, depreciation is provided on straight line method as per rates prescribed under the Income Tax Act, 1961, except in case of computers and peripherals, where rates as assessed by the Company are adopted.

14.1.2 Depreciation on assets, procured specifically for telecom business, is provided on straight line method as per rates specified in Schedule XIV of the Companies Act, 1956.

14.1.3 Where the cost of depreciable asset has undergone a change due to increase/decrease in long term liabilities on account of exchange rate fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation.

14.1.4 Capital expenditure on assets not owned by the company is amortized over a period of four years from the year in which the first line/sub-station of the project comes into commercial operation and, thereafter, from the year in which the relevant assets are completed and become available for use.

14.1.5 Plant and Machinery, Loose Tools and items of scientific appliances, included under different heads of assets, costing Rs. 5000/- or less or with written down value of Rs. 5000/- or less as at the beginning of the year, are charged off to revenue.

14.1.6 Leasehold land is depreciated over the tenure of the lease.

14.2. In the case of assets of National Thermal Power Corporation Limited (NTPC) , National Hydro-electric Power Corporation Limited (NHPC), North-Eastern Electric Power Corporation Limited (NEEPCO), Neyveli Lignite Corporation Limited (NLC) transferred w.e.f. 01.04.92, Jammu and Kashmir Lines w.e.f. 01.04.93, and Tehri Hydro Development Corporation Limited (THDC) w.e.f. 01.08.93, depreciation is charged based on Gross Block as indicated in transferor's books with necessary adjustments so that the life of the assets as laid down in the CERC notification for tariff is maintained.

15. EXPENDITURE

15.1 Insurance reserve is created @ 0.1% on gross value of Fixed Assets including projects under construction as at the close of the year in respect of future losses which may arise from uninsured risks except for machinery breakdown for valve halls of HVDC Bi-pole and fire risk for HVDC equipments, and SVC sub stations, with the corresponding charge thereof to the Revenue.

15.2 Pre-paid/prior-period items up to Rs.100000/- are accounted to natural heads of account.

15.3 Expenses of Research and Development are charged to Revenue.

16. RETIREMENT BENEFITS

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

16.2 The liabilities for leave encashment and post retirement medical benefits to employees are accounted for on accrual basis based on actuarial valuation at the year end.

Balance Sheet as at 31st March, 2004

(Rupees in crores)					
	Schedule No.	RLDC	Transmission & others	As at 31st March, 2004	As at 31st March, 2003
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	1		3074.06	3074.06	3074.06
Reserves and Surplus	2	33.52	5420.71	5454.23	4693.37
		33.52	8494.77	8528.29	7767.43
Loan Funds					
Secured Loans	3		7586.97	7586.97	6631.08
Unsecured Loans			4679.41	4679.41	4812.20
			12266.38	12266.38	11443.28
Advance Against Depreciation (Deferred Revenue)	3A		395.33	395.33	209.12
Deferred Tax liability(Net)			182.31	182.31	232.86
Inter Unit Accounts(RLDC)		11.08	-11.08		
TOTAL		44.60	21327.71	21372.31	19652.69
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	5.36	19870.87	19876.23	18943.30
Less: Depreciation		3.54	4988.86	4992.40	4344.56
Net Block		1.82	14882.01	14883.83	14598.74
Capital Work-in-Progress	5		2235.94	2235.94	1696.79
Construction Stores and Advances	6		1640.12	1640.12	895.79
		1.82	18758.07	18759.89	17191.32
Investments	7		1851.13	1851.13	739.08
Current Assets, Loans & Advances					
Inventories	8		196.86	196.86	160.69
Sundry Debtors		31.47	453.93	485.40	1645.01
Cash and Bank Balances		16.36	759.09	775.45	118.36
Other Current Assets		3.00	232.12	235.12	116.50
Loans and Advances		12.37	1219.60	1231.97	1072.17
		63.20	2861.60	2924.80	3112.73
Less: Current Liabilities & Provisions	9				
Current Liabilities		19.19	1818.74	1837.93	1163.90
Provisions		1.23	363.35	364.58	234.29
		20.42	2182.09	2202.51	1398.19
Net Current Assets		42.78	679.51	722.29	1714.54
Miscellaneous Expenditure (to the extent not written off or adjusted)	10		39.00	39.00	7.75
TOTAL		44.60	21327.71	21372.31	19652.69
Contingent Liabilities	11	19.65	2280.19	2299.84	2477.51
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 O.P. Bagla & Co.
Chartered Accountants

For B.M. Chatrath & Co.
Chartered Accountants

For Veerabhadra Rao & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

(P.R.Paul)
Partner

(K. Ramachandra Murthy)
Partner

Place: New Delhi
Date: 6th July, 2004

Profit and Loss Account for the year ended 31st March, 2004

(Rupees in crores)

	Schedule No.	RLDC	Transmission & others		For the year ended 31st March, 2004	For the year ended 31st March, 2003
INCOME						
Transmission Income			2377.75		2377.75	2012.95
Less: Advance Against Depreciation			187.14		187.14	55.47
			<u>2190.61</u>		<u>2190.61</u>	<u>1957.48</u>
Sale of Electric Power(Note No.24 - Schedule 18)						<u>126.45</u>
Consultancy, Project Management and Supervision Fees			37.08		37.08	19.07
Provision written back	12A	0.20	172.69		172.89	
Other Income	12	29.13	375.71		404.84	429.74
TOTAL			<u>29.33</u>		<u>2805.42</u>	<u>2532.74</u>
EXPENDITURE						
Purchase of Electric Power						126.43
Transmission and Administration Expenses	13	27.47	532.86	560.33		475.94
Depreciation		0.64	610.18	610.82		465.46
		28.11	1143.04	1171.15		941.40
Less:a) Incidental expenditure during construction transferred to Capital Work-in-progress	16A		138.12	138.12		133.94
b) Recoverable from MOP on account of APDRP			7.98	7.98		6.69
c) Transferred to Deferred Revenue Expenditure						2.46
			146.10	146.10		143.09
		28.11	996.94		1025.05	798.31
Deferred Revenue Expenditure Written Off Provisions	14		13.85		13.85	1.11
Loss on Disposal/Write off of Fixed assets			17.98		17.98	139.60
Corporate Expenses allocated to RLDCs		2.23	-2.23		1.28	1.23
TOTAL		30.34	1027.82		1058.16	1066.68
Profit before Interest and Finance Charges	15	-1.01	1748.27		1747.26	1466.06
Interest and Finance Charges		0.62	1151.96	1152.58		1074.81
Less: Interest & Finance Charges transferred to Capital Work-in-progress	16B		161.62	161.62		374.40
		0.62	990.34		990.96	700.41
Profit for the year before tax.Prior period Adjustments and Extraordinary items		-1.63	757.93		756.30	765.65
Less:Prior Period Expenditure/(Income)	17	-0.04	42.80	42.76		14.67
Less: Incidental Expenditure during Construction			0.75	0.75		0.86
Prior Period Expenditure/(Income) (Net)		-0.04	42.05		42.01	13.81
Profit Before Tax		-1.59	715.88		714.29	751.84
Less: Provision for Taxation-Current Year - Earlier Years			26.30		26.30	71.40
			-9.66		-9.66	-0.98
Profit after Current Tax		-1.59	699.24		697.65	681.42
Less:Provision for Deferred Tax			-50.55		-50.55	38.83
Profit after Deferred Tax		-1.59	749.79		748.20	642.59
Add:Balance of Profit brought forward					69.55	95.59
Add:Bond Redemption Reserve Written Back					391.60	53.03
Total Amount Available for Appropriation					1209.35	791.21
Appropriation						
Interim Dividend Paid						50.00
Proposed Final Dividend					125.00	50.00
Provision for Dividend Tax					16.02	6.41
Transfer to Bonds Redemption Reserve					80.02	115.25
Transfer to General Reserve					950.00	500.00
Balance of Profit carried over to Balance Sheet					38.31	69.55
					1209.35	791.21
Earning per Share-Basic (In Rs.per share of Rs.1000/-)					247.00	212.00
Earning per Share-Diluted (In Rs.per share of Rs.1000/-)					243.00	209.00

For and on behalf of the Board

(Divya Tandon)
Company Secretary

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

(R.P. Singh)
Chairman & Managing Director

For O.P. Bagla & Co.
Chartered Accountants

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

(Rakesh Kumar)
Partner

(P.R. Paul)
Partner

(K. Ramachandra Murthy)
Partner

Place: New Delhi
Date: 6th July, 2004

Schedules

Schedule 1 - Share Capital

(Rupees in crores)		
Description	As at 31st March, 2004	As at 31st March, 2003
AUTHORISED		
5,00,00,000 (Previous year 5,00,00,000) equity shares of Rs. 1000/- each.	5000.00	5000.00
ISSUED, SUBSCRIBED AND PAID-UP		
3,03,52,486 (Previous Year 3,03,52,486) equity shares of Rs 1000/-each fully paid up	3035.25	3035.25
Share Capital Deposit	38.81	38.81
TOTAL	3074.06	3074.06

Schedule 2 - Reserves and Surplus

(Rupees in crores)				
Description	As at 31st March, 2003	Additions During the year	Deductions During the year	As at 31st March, 2004
Capital Reserve	112.06		18.06	94.00
Grants in aid	335.20	50.19	87.88	297.51
Self Insurance Reserve	58.19	15.18	0.98	72.39
General Reserve	3440.37	950.00		4390.37
Bonds Redemption Reserve	678.00	80.02	391.60	366.42
Development Surcharge Reserve		195.23		195.23
	4623.82	1290.62	498.52	5415.92
Balance in Profit & Loss Account	69.55			38.31
TOTAL	4693.37			5454.23

Schedule 3 - Loan Funds

(Rupees in crores)		
Description	As at 31st March, 2004	As at 31st March, 2003
SECURED LOANS		
BONDS VI SERIES		
13% Taxable, Secured, Redeemable, non-cumulative, non-convertible Bonds of Rs.1000/-each redeemable at par in 10(ten) annual equal installments from 6th December, 2002 Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Gandhar Stage-I Transmission System	80.00	90.00
BONDS VII SERIES		
13% Taxable, Secured, Redeemable, non-cumulative, non-convertible Bonds of Rs.1000/-each redeemable at par in 5 (five) annual equal instalments from 4th August, 2003 Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Kahalgaon Transmission System and Ramagundam Stage-I & II Transmission System.	160.00	200.00

Schedule 3 - Loan Funds (Contd.)

Description	(Rupees in crores)	
	As at 31st March, 2004	As at 31st March, 2003
BONDS VIII SERIES		
10.35% Taxable, Secured, Redeemable, non-cumulative, non-convertible Bonds of Rs.1000/-each redeemable at par in 10 (Ten) equal annual instalments w.e.f. 27th April, 2005 Secured by floating charge over the Fixed Assets of the Corporation.	20.00	20.00
BONDS IX SERIES		
12.25% Taxable, Secured, Redeemable, non-cumulative, non-convertible Bonds of Rs. 1,00,000/- each redeemable at par in 10 (Ten) equal annual instalments w.e.f. 22nd August, 2003 Secured by way of Registered Debenture Trust Deed on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of Transmission lines and Sub-stations of parts of NJTL system.	518.85	576.50
BONDS X SERIES		
10.90% Taxable, Secured, Redeemable, Non-cumulative, non-convertible Bonds of Rs. 12 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 21.06.2004 Secured by way of Registered Debenture Trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti, Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of CTP-I, Farakka & Chamera Transmission system	761.52	761.52
BONDS XI SERIES		
a) 9.80% Taxable, Secured, Redeemable, Non-cumulative, non-convertible Bonds of Rs. 3 crores each consisting of 12 STRPPs of Rs 25 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f. 07.12.2005 Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Anta, Auriya, Moga-Bhiwani, Chamera-Kishenpur, Sasaram-Allahabad, LILO of Singrauli-Kanpur and Allahabad Sub-station	543.00	543.00
b) 9.20% Taxable, Secured, Redeemable, Non -cumulative, non-convertible bonds of Rs. 3 crores each consisting of 6 STRPPs of Rs. 50 lakh each, redeemable at par in 6 (six) equal annual instalments w.e.f. 07.12.2003 Secured by way of Registered debenture trust Deed ranking pari-passu, on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Uri Transmission system	172.50	207.00
	715.50	750.00
BONDS XII SERIES		
9.70% Taxable, Secured, Redeemable, Non-cumulative, non-convertible Bonds of Rs. 1.5 crores each consisting of 12 STRPPs of Rs. 12.50 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f. 28.03.2006. Secured by way of Registered debenture trust Deed ranking pari-passu on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage and hypothecation on asset of Kayamkulam & Ramagundam Hyderabad Transmission System	184.50	184.50

Schedule 3 - Loan Funds (Contd.)

(Rupees in crores)

Description	As at 31st March, 2004	As at 31st March, 2003
BONDS XIII SERIES		
a) 8.63% Taxable, Secured, Redeemable, Non-cumulative, non-convertible Bonds of Rs 1.5 crores each consisting of 12 STRPPs of Rs. 12.50 lakh each, redeemable at par in 12 (twelve) equal annual instalments w.e.f. 31.07.2006. 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	810.00	810.00
b) 7.85% Taxable, Secured, Redeemable, Non-cumulative, non-convertible Bonds of Rs. 1.5 crores each consisting of 06 STRPPs of Rs. 25 lakh each, redeemable at par in 6 (six) equal annual instalments w.e.f. 31.07.2003. 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	208.75	250.50
	1018.75	1060.50
Loan From Life Insurance Corporation of India Secured by equitable mortgage of immovable properties of Kathalguri Transmission System	1.60	2.93
Loan From Indian Overseas Bank Secured by a floating charge on the fixed assets of the Company	90.00	100.00
Loan from ICICI Bank Ltd. Secured by first pari-passu charge over the assets of the Company	135.00	150.00
Loan from Corporation Bank Secured by a floating charge on the fixed assets of the Company	95.00	100.00
Loan from Punjab National Bank Secured by a floating charge on the fixed assets of the Company	180.00	200.00
Loan-II from Punjab National Bank Secured by a floating charge on the fixed assets of the Company	300.00	300.00
	480.00	500.00
Loan From Oriental Bank of Commerce Secured by a floating charge on the fixed assets of the Company	250.00	250.00
6.3% Term loan from Life Insurance Corporation of India Secured by floating charge on the fixed assets of the Company	810.80	
Bank of India, Cayman Island Secured by a Floating charge on the immovable properties of the company	443.10	478.30
Loan from International Bank for Reconstruction and Development Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyachal and Rihand Transmission system and further guaranteed by Government of India	739.24	783.45
Loan from International Bank for Reconstruction and Development for PSDP-II Secured by pari-passu interest in the liens created on the assets as security for the debts and further guaranteed by Government of India	1083.11	623.38
Total Secured Loans	7586.97	6631.08

Schedule 3 - Loan Funds (Contd.)

(Rupees in crores)

Description	As at 31st March, 2004	As at 31st March, 2003
UNSECURED LOANS		
BONDS XIV SERIES		
6.10% Taxable, Secured, Redeemable, Non-Cumulative, Non- Convertible Bonds of Rs. 1.5 crores each consisting of 12 STRPP's of Rs. 12.50 Lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 17.07.2004. To be 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 floating charge on the assets of the Company.	699.00	
BONDS XV SERIES		
6.68% Secured, Taxable, Non-Cumulative, Non-convertible Bonds of Rs.1.50 crores each consisting of 12 STRPP's of Rs. 12.50 lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 23.02.2008. To be 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 floating charge on the assets of the company.	900.00	
Loan from Power Finance Corporation	85.00	95.00
Loan from Government of India	72.11	1659.97
Kreditanstalt Fur Wiederaufbau, Germany	909.48	931.82
State Bank of India, London	110.73	132.16
Bank of Baroda, London	95.36	118.02
Scandiviska enskilda Banken AP (PUBL)	26.26	
Loans Guaranteed by Govt of India		
a. Natexis Banque (Credit National), France	131.68	125.72
b. Credit Agricole Indosuez (Banque Indosuez)	46.78	57.42
c. Asian Development Bank (1405 - IND)	834.86	1068.53
d. Overseas Economic Corporation Fund (JBIC)	99.22	47.18
e. European Investment Bank	132.13	136.66
f. Asian Development Bank (1764-IND)	432.54	313.07
	1677.21	1748.58
PENDING FINALISATION OF TRIPARTITE AGREEMENT/BACK TO BACK AGREEMENT AMOUNT PAYABLE TO GOVERNMENT OF INDIA ON ACCOUNT OF		
A. NTPC Purchase Consideration		
Syndicated loan from Industrial Bank, Japan	104.26	126.65
Total Unsecured Loans	4679.41	4812.20
Grand Total (Secured + Unsecured)	12266.38	11443.28
Due for repayment/redemption within one year	835.09	651.78

Schedule 3A - Advance against Depreciation (Deferred Revenue)

(Rupees in crores)

Description	As at 31st March, 2003	Additions During the Year	Reversals/ Adjustments during the year	As at 31st March, 2004
Advance against Depreciation	209.12	187.14	0.93	395.33
TOTAL	209.12	187.14	0.93	395.33
Previous Year	157.19	55.47	3.54	209.12

Schedule 4A - Fixed Assets-Transmission

(Rupees in crores)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2003	Additions during the year	Adjustments during the year	As at 31st March, 2004	Upto 31st March, 2003	Additions for the year	Adjustments during the year	As at 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
LAND										
Freehold	1.30			1.30					1.30	1.30
Leasehold	0.05	0.01		0.06		0.01		0.01	0.05	0.05
Roads, Bridges,Culverts & Helipads	0.01			0.01					0.01	0.01
BUILDINGS										
Others	0.04			0.04	0.01			0.01	0.03	0.03
Temporary Erection	0.10			0.10	0.08	0.01		0.09	0.01	0.02
Plant & Machinery	11221.28	731.94	167.48	11785.74	2167.14	315.17	-27.73	2510.04	9275.70	9054.14
Constrn. and Workshop equipment	8.75	2.04	0.12	10.67	2.76	0.33	0.09	3.00	7.67	5.99
Vehicles	0.05			0.05	0.04			0.04	0.01	0.01
TOTAL (A)	11231.58	733.99	167.60	11797.97	2170.03	315.52	-27.64	2513.19	9284.78	9061.55

Schedule 4B - Fixed Assets- Sub-Stations

(Rupees in crores)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2003	Additions during the year	Adjustments during the year	As at 31st March, 2004	Upto 31st March, 2003	Additions for the year	Adjustments during the year	As at 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
LAND										
Freehold	80.42	31.53	-0.98	112.93					112.93	80.42
Leasehold	8.19	5.41		13.60	1.03	0.17		1.20	12.40	7.16
Unclassified	0.18			0.18					0.18	0.18
Roads, Bridges,Culverts & Helipads	41.15	2.10	0.03	43.22	5.64	0.78		6.42	36.80	35.51
BUILDINGS										
Main Plant	131.28	5.80	-2.86	139.94	32.76	4.63	-4.00	41.39	98.55	98.52
Others	15.34	0.50	0.08	15.76	5.56	0.76		6.32	9.44	9.78
Temporary Erection	2.27	0.25	0.01	2.51	1.47	0.16		1.63	0.88	0.80
Water Supply Drainage & Sewerage	18.61	0.39		19.00	2.90	0.49		3.39	15.61	15.71
Plant & Machinery	6818.78	256.49	80.35	6994.92	2006.26	259.36	-3.19	2268.81	4726.11	4812.52
Constrn. and Workshop equipment	5.72	0.27	-0.10	6.09	3.22	0.21	-0.05	3.48	2.61	2.50
Electrical Installation	14.02	2.84	-0.30	17.16	6.17	0.68	-0.02	6.87	10.29	7.85
Vehicles	1.85		0.12	1.73	1.47	0.02	0.10	1.39	0.34	0.38
Aircraft/Aero engines Boats	0.02			0.02	0.02			0.02		
Furnitures, Fixture & Other equipment	9.86	0.41	-0.01	10.28	4.71	0.29	-0.15	5.15	5.13	5.15
EDP & WP Machines	151.15	21.56	2.33	170.38	3.45	10.36	-4.83	18.64	151.74	147.70
Laboratory and Workshop equipment	27.93	0.48	0.09	28.32	13.73	2.24		15.97	12.35	14.20
Capital Exp. on Assets not owned by the Company	3.59	2.70	-0.30	6.59	1.95	1.27	-0.15	3.37	3.22	1.64
TOTAL (B)	7330.36	330.73	78.46	7582.63	2090.34	281.42	-12.29	2384.05	5198.58	5240.02

Schedule 4C - Fixed Assets - Research & Development

(Rupees in crores)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2003	Additions during the year	Adjustments during the year	As at 31st March, 2004	Upto 31st March, 2003	Additions for the year	Adjustments during the year	As at 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
BUILDINGS										
Main Plant	0.74			0.74	0.19	0.01		0.20	0.54	0.55
Furniture, Fixtures & Other equipment	0.01			0.01					0.01	0.01
EDP & WP Machines		0.02		0.02		0.01		0.01	0.01	
TOTAL (C)	0.75	0.02		0.77	0.19	0.02		0.21	0.56	0.56

Schedule 4D - Fixed Assets - Office Complex

(Rupees in crores)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2003	Additions during the year	Adjustments during the year	As at 31st March, 2004	Upto 31st March, 2003	Additions for the year	Adjustments during the year	As at 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
LAND										
Freehold	13.93			13.93					13.93	13.93
Leasehold	8.22			8.22	0.14	0.02		0.16	8.06	8.08
Roads, Bridges, Culverts & Helipads		0.02		0.02					0.02	
BUILDINGS										
Others	64.86	64.76	0.11	129.51	9.51	1.88	-0.02	11.41	118.10	55.35
Temporary Erection	2.68	0.03		2.71	2.01	0.14		2.15	0.56	0.67
Water Supply Drainage & Sewerage	0.11			0.11	0.02			0.02	0.09	0.09
Electrical Installation	0.30	0.02		0.32	0.13	0.01		0.14	0.18	0.17
Vehicles	1.40	0.15	0.09	1.46	0.96	0.10	0.08	0.98	0.48	0.44
Furniture, Fixtures & Other equipment	23.92	4.22	1.01	27.13	14.11	1.28	0.96	14.43	12.70	9.81
EDP & WP Machines	26.45	9.09	2.19	33.35	16.76	5.68	1.49	20.95	12.40	9.69
TOTAL (D)	141.87	78.29	3.40	216.76	43.64	9.11	2.51	50.24	166.52	98.23

Schedule 4E - Fixed Assets - Township Assets

(Rupees in crores)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2003	Additions during the year	Adjustments during the year	As at 31st March, 2004	Upto 31st March, 2003	Additions for the year	Adjustments during the year	As at 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
LAND										
Freehold	42.48		-0.60	43.08					43.08	42.48
Leasehold	8.96	0.66		9.62	0.33	0.12		0.45	9.17	8.63
Roads, Bridges, Culverts & Helipads	12.16	1.03		13.19	2.35	0.23		2.58	10.61	9.81
BUILDINGS										
Others	137.51	38.88	4.33	172.06	23.63	2.76	-0.05	26.44	145.62	113.88
Temporary Erection	0.67			0.67	0.58	0.01		0.59	0.08	0.09
Water Supply Drainage & Sewerage	18.27	1.18	-0.02	19.47	3.61	0.36		3.97	15.50	14.66
Electrical Installation	7.55	0.26		7.81	3.72	0.31		4.03	3.78	3.83
Vehicles	0.14		0.01	0.13	0.11	0.02	0.02	0.11	0.02	0.03
Furniture, Fixtures & Other equipment	5.40	0.80	-0.05	6.25	2.39	0.34	-0.03	2.76	3.49	3.01
EDP & WP Machines	0.01			0.01	0.01			0.01		
Hospital Equipment	0.01			0.01	0.01			0.01		
School Equipment	0.03	0.02		0.05	0.02			0.02	0.03	0.01
Capital Exp. on Assets not owned by the Company	0.04	0.07	-0.28	0.39	0.03	0.10	-0.07	0.20	0.19	0.01
TOTAL (E)	233.23	42.90	3.39	272.74	36.79	4.25	-0.13	41.17	231.57	196.44

Schedule 4F - Fixed Assets - RLDC

(Rupees in crores)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2003	Additions during the year	Adjustments during the year	As at 31st March, 2004	Upto 31st March, 2003	Additions for the year	Adjustments during the year	As at 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
BUILDINGS										
Others						0.05	0.05			
Temporary Erection	0.10			0.10	0.09			0.09	0.01	0.01
Plant & Machinery	0.53		0.01	0.52	0.20	0.02		0.22	0.30	0.33
Constrn. and Workshop equipment	0.01			0.01					0.01	0.01
Electrical Installation	0.01			0.01					0.01	0.01
Vehicles	0.02		0.01	0.01	0.01	0.01	0.01	0.01		0.01
Furniture, Fixtures & Other equipment	1.60	0.14	0.06	1.68	0.68	0.09	0.03	0.74	0.94	0.92
EDP & WP Machines	3.14	0.18	0.39	2.93	2.51	0.32	0.44	2.39	0.54	0.63
Laboratory and Workshop Equipment	0.10			0.10	0.08	0.01		0.09	0.01	0.02
TOTAL (F)	5.51	0.32	0.47	5.36	3.57	0.50	0.53	3.54	1.82	1.94

Schedule 4 - Fixed Assets

(Rupees in crores)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2003	Additions during the year	Adjustments during the year	As at 31st March, 2004	As at 31st March, 2003	Additions for the year	Adjustments during the year	As at 31st March, 2004	As at 31st March, 2004	As at 31st March, 2003
LAND										
Freehold	138.13	31.53	-1.58	171.24					171.24	138.13
Leasehold	25.42	6.08		31.50	1.50	0.32		1.82	29.68	23.92
Unclassified	0.18			0.18					0.18	0.18
Roads, Bridges, Culverts & Helipads	53.32	3.15	0.03	56.44	7.99	1.01		9.00	47.44	45.33
BUILDINGS										
Main Plant	132.02	5.80	-2.86	140.68	32.95	4.64	-4.00	41.59	99.09	99.07
Others	217.75	104.14	4.52	317.37	38.71	5.45	-0.02	44.18	273.19	179.04
Temporary Erection	5.82	0.28	0.01	6.09	4.23	0.32		4.55	1.54	1.59
Water Supply Drainage & Sewerage	36.99	1.57	-0.02	38.58	6.53	0.85		7.38	31.20	30.46
Plant & Machinery	18040.59	988.43	247.84	18781.18	4173.60	574.55	-30.92	4779.07	14002.11	13866.99
Constrn. and Workshop equipment	14.48	2.31	0.02	16.77	5.98	0.54	0.04	6.48	10.29	8.50
Electrical Installation	21.88	3.12	-0.30	25.30	10.02	1.00	-0.02	11.04	14.26	11.86
Vehicles	3.46	0.15	0.23	3.38	2.59	0.15	0.21	2.53	0.85	0.87
Aircraft/Aero engines Boats	0.02			0.02	0.02			0.02		
Furniture, Fixtures & Other equipment	40.79	5.57	1.01	45.35	21.89	2.00	0.81	23.08	22.27	18.90
EDP & WP Machines	180.75	30.85	4.91	206.69	22.73	16.37	-2.90	42.00	164.69	158.02
Laboratory and workshop Equipment	28.03	0.48	0.09	28.42	13.81	2.25		16.06	12.36	14.22
Hospital Equipment	0.01			0.01	0.01			0.01		
School Equipment	0.03	0.02		0.05	0.02			0.02	0.03	0.01
Capital Exp. on Assets not owned by the Company	3.63	2.77	-0.58	6.98	1.98	1.37	-0.22	3.57	3.41	1.65
Grand Total	18943.30	1186.25	253.32	19876.23	4344.56	610.82	-37.02	4992.40	14883.83	14598.74
Previous Year	13776.79	5031.84	-134.67	18943.30	3870.90	465.46	-8.20	4344.56	14598.74	

Schedule 5A - Capital Work In Progress - Transmission Lines

(Rupees in crores)

Description	Balance As at 31.03.2003	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2004
Plant & Machinery (including associated civil works)					
On own A/C & on supply- cum-erection contract	1227.72	1389.31	47.04	743.83	1826.16
Survey,Investigation,Consultancy & Supervision Charges	28.00		11.98	0.49	15.53
Difference in Exchange on foreign Loans	-0.63	-62.74	-45.69	-15.71	-1.97
TOTAL (A)	1255.09	1326.57	13.33	728.61	1839.72

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

(Rupees in crores)

Description	Balance As at 31.03.2003	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2004
Development of land	4.65	14.80	0.96	12.00	6.49
Roads, Bridges & culverts & helipads	2.59	2.54	-0.01	2.05	3.09
Buildings (others)	1.94	9.35	-0.59	3.90	7.98
Temporary erection	0.01	0.40		0.21	0.20
Water Supply Drainage and Sewerage	0.50	0.38	-0.01	0.37	0.52
Plant & Machinery (including associated civil works)					
On own account & on supply-cum-erection contract	278.61	263.99	-5.31	314.95	232.96
Electrical installations	1.82	2.37	1.76	2.13	0.30
Furniture, Fixtures & Other Office equipments	0.10	0.02	0.02	0.07	0.03
Survey, Investigation, Consultancy & Supervision Charges	7.50	1.06	0.01		8.55
Difference in Exchange on foreign Loans	1.57	-88.06	-70.25	-11.99	-4.25
Capital expenditure on assets not owned by Company	0.06	1.10	-1.76	2.66	0.26
TOTAL (B)	299.35	207.95	-75.18	326.35	256.13

Schedule 5C - Capital Work In Progress - Office Complex

(Rupees in crores)

Description	Balance As at 31.03.2003	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2004
Roads,Bridges,Culverts & Helipads		0.05			0.05
Buildings (others)	54.00	17.21	-1.40	64.92	7.69
Temporary erection	0.02	0.06		0.02	0.06
Water Supply Drainage and Sewerage	0.02	0.01	0.01		0.02
Furniture, Fixtures & Other office equipment	0.23	0.67		0.08	0.82
TOTAL (C)	54.27	18.00	-1.39	65.02	8.64

Schedule 5D - Capital Work In Progress - Township

(Rupees in crores)

Description	Balance As at 31.03.2003	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2004
Development of land	0.12		0.11		0.01
Roads,Bridges,Culverts & Helipads	1.48	0.56	0.14	0.47	1.43
Buildings (others)	36.16	38.38	-0.64	33.66	41.52
Water Supply Drainage and Sewerage	1.28	1.00	-0.06	0.94	1.40
Electrical Installations	0.84	0.56	0.04	0.21	1.15
TOTAL (D)	39.88	40.50	-0.41	35.28	45.51

Schedule 5E - Capital Work In Progress - Incidental Expenditure during construction

(Rupees in crores)

Description	Balance As at 31.03.2003	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2004
Incidental Expenditure during Construction	48.20	288.00			336.20
Less: Allocated to Capital Work in Progress		250.26			250.26
TOTAL (E)	48.20	37.74			85.94

Schedule 5 - Capital Work In Progress

(Rupees in crores)

Description	Balance As at 31.03.2003	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2004
Development of land	4.77	14.80	1.07	12.00	6.50
Roads, Bridges, Culverts & Helipads	4.07	3.15	0.13	2.52	4.57
Buildings (others)	92.10	64.94	-2.63	102.48	57.19
Temporary erection	0.03	0.46		0.23	0.26
Water Supply Drainage and Sewerage	1.80	1.39	-0.06	1.31	1.94
Plant & Machinery (including associated civil works)					
On own account & on supply-cum-erection contract	1506.33	1653.30	41.73	1058.78	2059.12
Electrical installations	2.66	2.93	1.80	2.34	1.45
Furniture, Fixtures & Other office equipment	0.33	0.69	0.02	0.15	0.85
Survey, Investigation, Consultancy & Supervision Charges	35.50	1.06	11.99	0.49	24.08
Difference in Exchange on foreign Loans	0.94	-150.80	-115.94	-27.70	-6.22
Capital expenditure on assets not owned by Company	0.06	1.10	-1.76	2.66	0.26
Incidental Expenditure during Construction	48.20	37.74			85.94
TOTAL	1696.79	1630.76	-63.65	1155.26	2235.94
Previous Year	3635.71	3723.11	675.00	4987.03	1696.79

Schedule 6 - Construction Stores and Advances

(Rupees in crores)

Description		As at 31st March, 2004	As at 31st March, 2003
Construction Stores			
Steel		0.64	0.91
Cement		0.08	0.13
Others		<u>1281.16</u>	<u>568.58</u>
		1281.88	569.62
Less: Provision for Shortages and obsolete material		<u>1.89</u>	<u>1.96</u>
		1279.99	567.66
Advances for Capital Expenditure			
Secured		2.37	6.03
Unsecured considered good			
a. Against Bank guarantees	281.85		197.06
b. Others	75.91		125.04
c. Considered Doubtful	<u>0.84</u>		<u>0.85</u>
	358.60		322.95
Less: Provision for Bad & Doubtful Advances	<u>0.84</u>		<u>0.85</u>
		<u>357.76</u>	<u>322.10</u>
		360.13	328.13
		1640.12	895.79
Construction Stores include Material in transit/ pending issue to contractors and with contractors		1262.92	561.83

Schedule 7 - Investments

(Rupees in crores)

Description	As at 31st March, 2004	As at 31st March, 2003
LONG TERM		
A. TRADE (Unquoted)		
8.5% tax free Andhra Pradesh Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	180.52	
8.5% tax free Arunachal Pradesh Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	5.22	
8.5% tax free Assam Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	167.80	
8.5% tax free Bihar Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	126.86	
8.5% tax free Gujarat Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	70.04	
8.5% tax free Haryana Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	80.50	
8.5% tax free Himachal Pradesh Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	2.83	
8.5% tax free Jammu & Kashmir Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	161.98	
8.5% tax free Karnataka Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	23.76	
Less: bonds payable to NLC	1.33	22.43
8.5% tax free Kerala Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	24.11	
8.5% tax free Madhya Pradesh Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	104.06	
8.5% tax free Maharashtra Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	13.47	
8.5% tax free Manipur Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	31.70	
8.5% tax free Meghalaya Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	0.43	
8.5% tax free Mizoram Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	0.02	
8.5% tax free Nagaland Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	13.93	
8.5% tax free Punjab Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	46.94	
8.5% tax free Rajasthan Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	21.80	
8.5% tax free Sikkim Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	11.27	
8.5% tax free Tamil Nadu Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	35.03	
8.5% tax free Tripura Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	0.91	
8.5% tax free Uttar Pradesh Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	461.46	
8.5% tax free Uttaranchal Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	51.27	
8.5% tax free West Bengal Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006	80.49	1715.07
7 years 13.70% MPEB Bonds - 99, Interest payable Semi Annually, 2718 Bonds of Rs. 1,00,000/- each fully paid up		27.18
7 years 13.60% APTRANSCO Bonds (Series -1/99), Interest payable Semi Annually, 8830 Bonds of Rs. 1,00,000/- each fully paid up		88.30
7 years 13% APTRANSCO Bonds (Series 1/2000), Interest payable Semi-annually, 3299 Bonds of Rs. 1,00,000/- each fully paid up		32.99
7 years 12.30% APPFCL BONDS(Series 2/2001), Interest payable Semi-Annually, 3300 Bonds of Rs. 1,00,000/- each fully paid up		33.00

Schedule 7 - Investments (Contd.)

(Rupees in crores)

Description	As at 31st March, 2004	As at 31st March, 2003
10 years 11% HVPNL Bonds, Interest payable Semi-annually.		49.00
7 years 14% GEB Bonds, Interest payable annually, 5500 Bonds of Rs. 1,00,000/- each fully paid up.		55.00
10 years 11% Govt. of UP Regular Interest Bonds in the nature of promissory note, Interest payable Semi-annually.		100.00
10 years 12% UPPCL Promissory Note in lieu of Bonds, Interest payable semi-annually		170.10
7 years 12.25% PSEB Bonds, Ist Tranche Interest payable Annually, bonds of Rs. 5 lakh each	2.10	19.10
7 years 12.25% PSEB Bonds, IInd Tranche Interest payable Annually, Bonds of Rs. 5 lakh each	7.65	7.65
15 years 8.5% J&K Govt. Bonds 2016, Interest payable semi-annually, 1446 Bonds of Rs. 10 lakh each & 1 Bond of Rs 6 Lakh		144.66
15 years 8.5% J&K Govt. Bonds 2017/2018, Interest payable semi-annually.	49.95	
120,00,006 (Previous year 120,00,006) Equity Shares of Rs.10/- each fully paid up of Power Trading Corporation of India Ltd.	12.00	12.00
64312500 (Previous year 50,000) Equity shares of Rs. 10/- each fully paid up of Powerlink Transmission Ltd (Formerly Tala Delhi Transmission Ltd.)	64.31	0.05
50,000 Equity shares of Rs. 10/- each fully paid up of Bina Dehgam Transmission Company Ltd	0.05	0.05
TOTAL (A)	1851.13	739.08
B. Non-trade investments (Unquoted)		
500 Fully paid up shares of Rs. 10/- each in Employees Co-op Society Limited Bhadravati (Rs. 5000/-)		
500 Fully paid up shares of Rs. 10/- each in Employees Co-op Society Limited Itarsi (Rs. 5000/-)		
500 Fully paid up shares of Rs. 10/- each in Employees Co-op Society Limited Nagpur (Rs. 5000/-)		
500 Fully paid up shares of Rs. 10/- each in Employees Co-op Society Limited Jabalpur (Rs. 5000/-)		
500 Fully paid up shares of Rs. 10/- each in Powergrid Primary Consumer Co-operative Society Rourkela (Rs. 5000/-)		
TOTAL (B)	0.00	0.00
GRAND TOTAL (A+B)	1851.13	739.08

Note : i) Out of above 6,43,12,500 shares of Power Link Transmission Ltd. held by the Company have been pledged as continuous security with financial institutions against financial assistance obtained by Power Links Transmission Ltd. after the close of the financial year.

ii) Shares of Power Trading Corporation are not quoted as on 31.03.2004 and the same has been listed for the first time on 07.04.2004.

Schedule 8 - Current Assets, Loans and Advances

(Rupees in crores)

Description	RLDC Transmission & others		As at 31st March, 2004	As at 31st March, 2003
Current Assets				
1. Inventories				
(As taken, valued and certified by the Management)				
Loose tools		0.85	0.85	0.59
Consumable stores		0.43	0.43	0.51
Components, Spares & other spare parts		195.71	195.71	159.73
		<u>196.99</u>	<u>196.99</u>	<u>160.83</u>
Less Provision for Shortages		0.13	0.13	0.14
		196.86	196.86	160.69
Inventories includes stores in transit Rs 0.02 crores (previous year Rs 0.01 crores)				
2. Sundry Debtors				
Debts Outstanding exceeding Six Months				
Considered Good	24.91	332.33	357.24	777.04
Considered Doubtful		39.29	39.29	109.13
	<u>24.91</u>	<u>371.62</u>	<u>396.53</u>	<u>886.17</u>
Others				
Considered Good	6.56	121.60	128.16	867.97
Considered Doubtful				29.07
	<u>31.47</u>	<u>493.22</u>	<u>524.69</u>	<u>1783.21</u>
Less: Provision for bad & doubtful debts		39.29	39.29	138.20
(The debtors are unsecured except to the extent of Rs. 220.20 crores for which Letters of Credit held by the Company from SEBs as on 31st March, 2004)	31.47	453.93	485.40	1645.01
3. Cash & Bank Balance				
Cash, Stamps and Imprest	0.01	0.12	0.13	0.17
Drafts/Cheques in Hand		13.33	13.33	53.16
Remittance in transit		201.66	201.66	1.53
Balance with scheduled banks-				
-In Current Accounts (Including Rs. 23.14 crores lying in designated accounts meant for specific disbursement)	14.90	542.06	556.96	43.29
-In Term Deposits (Note No.10(b) - Schedule 18)	1.45	1.92	3.37	20.21
	<u>16.36</u>	<u>759.09</u>	<u>775.45</u>	<u>118.36</u>
Balance In Non-Scheduled Banks [Bank Balance of Rs 4,997.00 (maximum Bank Balance Rs. 5,11,849.00) with DA Afghanistan Bank, Kabul]				
4. Other Current assets				
Public Deposit Account with Govt. of India		2.00	2.00	1.28
Interest accrued on Public Deposit Account		11.53	11.53	27.72
Interest accrued on Investments (Bonds)	3.00	218.50	221.50	98.14
Others		0.09	0.09	45.03
	<u>3.00</u>	<u>232.12</u>	<u>235.12</u>	<u>172.17</u>
Less: Provisions for Doubtful Interest on Investment				55.67
	3.00	232.12	235.12	116.50

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

(Rupees in crores)

Description	RLDC	Transmission & others	As at 31st March, 2004	As at 31st March, 2003
5. Loans and Advances				
a) Loans to				
-Employees	7.77	105.59	113.36	117.02
-Others		87.13	87.13	0.11
	7.77	192.72	200.49	117.13
b) Recoverable from Subs. of Sch. Banks		78.23	78.23	99.73
Less: Adhoc Provision held for final settlement of the matter (Note No.8 I(d) in Schedule 18)		50.00	50.00	50.00
		28.23	28.23	49.73
c) Lease Receivables		696.07	696.07	699.48
d) Advances				
Advances recoverable in cash or in kind or for value to be received				
Contractors & Suppliers (Including Material issued on loan)		1.78	1.78	2.77
Employees	0.39	8.73	9.12	9.79
Claims recoverable		3.66	3.66	3.87
Others	4.01	104.02	108.03	50.86
	4.40	118.19	122.59	67.29
Less: Provision for bad and doubtful Advances and Claims		3.39	3.39	3.28
	4.40	114.80	119.20	64.01
Balance with Customs, Port Trust and other authorities	0.20	14.79	14.99	5.66
Advance Tax & TDS		172.99	172.99	136.16
	4.60	302.58	307.18	205.83
	12.37	1219.60	1231.97	1072.17
TOTAL	63.20	2861.60	2924.80	3112.73
Particulars of Loans and Advances				
Secured	7.42	88.71	96.13	98.84
Unsecured Considered Good	4.95	1130.89	1135.84	973.33
Considered doubtful		53.39	53.39	53.28
	12.37	1272.99	1285.36	1125.45
Less: Provision for Bad & Doubtful Claims		53.39	53.39	53.28
	12.37	1219.60	1231.97	1072.17
Due from Directors & Officers of the company				
Directors		0.03	0.03	0.05
Officers	0.74	9.03	9.77	8.00
Directors Maximum Amount		0.04	0.04	0.05
Officers Maximum Amount	0.79	10.72	11.51	9.35

Schedule 9 - Current Liabilities and Provisions

(Rupees in crores)

Description	RLDC	Transmission & others	As at 31st March, 2004	As at 31st March, 2003
A. CURRENT LIABILITIES				
Sundry Creditors				
For capital expenditure	0.02	386.99	387.01	233.86
Other goods and services	2.23	98.60	100.83	168.29
	2.25	485.59	487.84	402.15
Advance from Customers		576.13	576.13	108.97
Deposits Retention money from contractors and others.	0.36	449.75	450.11	362.18
Less: Investments held as security		0.31	0.31	0.26
	0.36	1025.57	1025.93	470.89
Investor Education and Protection Fund:				
Un-paid (Un-claimed) matured bonds		0.05	0.05	4.05
Other Liabilities	16.58	43.58	60.16	37.06
Interest Accrued But Not Due On Loans From				
Government of India		4.77	4.77	36.68
Indian Banks, Financial Institutions & Corporations		7.99	7.99	9.34
Foreign Banks & Financial Institutions		40.42	40.42	46.25
Secured/Unsecured redeemable Bonds		185.23	185.23	135.15
Others		25.54	25.54	22.33
		263.95	263.95	249.75
Total (A)	19.19	1818.74	1837.93	1163.90
B. PROVISIONS				
Taxation		156.82	156.82	140.49
Others	1.23	65.51	66.74	37.39
Proposed Final dividend		125.00	125.00	50.00
Dividend Tax		16.02	16.02	6.41
Total (B)	1.23	363.35	364.58	234.29
Current Liabilities & Provisions (A+B)	20.42	2182.09	2202.51	1398.19

Schedule 10 - Miscellaneous Expenses (To the extent not written off or adjusted)**(Rupees in crores)**

Description	Balance As at 31st March, 2003	Additions during the year	Deductions during the year	Balance As at 31st March, 2004
Deferred Revenue Expenditure	7.75	45.10	13.85	39.00
TOTAL	7.75	45.10	13.85	39.00
Previous Year	5.72	3.14	1.11	7.75

Schedule 11 - Contingent Liabilities**(Rupees in crores)**

Description	RLDC	Transmission & Others	As at 31st March, 2004	As at 31st March, 2003
Claims against the Company not acknowledged as debts	16.81	1068.73	1085.54	933.70
Continuity Bonds with Custom Authorities		908.65	908.65	1228.90
Others	2.84	302.81	305.65	314.91
Total	19.65	2280.19	2299.84	2477.51

Schedule 12 - Other Income

(Rupees in crores)

Description	RLDC	Transmission & others	For the year ended 31st March, 2004	For the year ended 31st March, 2003
Hire charges for equipments		1.18	1.18	0.90
Dividend [TDS Rs. NIL(Previous Year Rs.0.17 crores)]				1.58
Interest From				
Indian Banks	0.20	0.85	1.05	1.51
Foreign Banks		0.03	0.03	0.03
Investment [TDS Rs. 1.50 crores(Previous Year Rs. 4.05 crores)]		265.07	265.07	84.16
Others [TDS Rs.0.18 crores(Previous Year Rs. 0.51 crores)]	0.65	20.90	21.55	36.51
	0.85	286.85	287.70	122.21
Profit on fixed assets Sold		0.02	0.02	0.04
Deferred Income (Transferred from Grants-in-aid)		16.31	16.31	11.56
Reimbursement of RLDC Expenses	27.94		27.94	28.72
Transfer from Insurance Reserve on A/c of Losses of Fixed Assets		0.98	0.98	0.17
Lease Income-State Sector ULDC		53.67	53.67	48.88
Handling and Wheeling charges on Sale of Power				23.14
Reimbursement from Joint Venture Companies		3.52	3.52	
Miscellaneous income	0.09	11.54	11.63	13.89
Surcharge	0.25	6.73	6.98	192.29
Service Fees for Telecom activities		7.40	7.40	8.28
	29.13	388.20	417.33	451.66
Less:Income transferred to incidental expenditure during construction-Sch 16C		12.49	12.49	21.92
TOTAL	29.13	375.71	404.84	429.74

Schedule 12A - Provisions written back

(Rupees in crores)

Description	RLDC	Transmission & others	For the year ended 31st March, 2004	For the year ended 31st March, 2003
Doubtful Debts (Anticipated reduction in tariff by CERC)		116.49	116.49	-
Interest difference on Bonds (Note No. 21(a) in Schedule 18)		55.67	55.67	-
Others	0.20	0.53	0.73	-
TOTAL	0.20	172.69	172.89	

Schedule 13 - Transmission, Administration and other Expenses

(Rupees in crores)

Description	RLDC	Transmission & others		For the year ended 31st March, 2004	For the year ended 31st March, 2003
Employee Cost					
Salaries, wages, allowances & benefits	16.21	233.79		250.00	205.98
Contribution to provident and other funds	2.35	36.34		38.69	35.08
Welfare expenses	2.16	40.92		43.08	37.16
	20.72	311.05		331.77	278.22
Transmission Expenses					
Repair & Mainenance					
Buildings	0.74	8.04		8.78	7.26
Plant & Machinery					
Sub Station	0.17	23.82	23.99		19.37
Transmission lines		10.98	10.98		8.21
Construction equipment		0.05	0.05		0.12
Others	0.19	2.64	2.83		2.23
	0.36	37.49		37.85	29.93
Power charges	1.32	29.12	30.44		27.72
Less: Recovery from contractors		0.17	0.17		0.21
	1.32	28.95		30.27	27.51
Stores consumed		0.01		0.01	0.01
Water charges	0.05	0.18		0.23	0.23
Right of Way charges(Telecom)		0.52	0.52		0.50
Less: Right Of Way Charges recovery		0.33	0.33		
				0.19	0.50
	2.47	74.86		77.33	65.44
Administration Expenses					
Training & Recruitment expenses	0.03	2.29	2.32		4.65
Less: Fees for training and application		0.32	0.32		
	0.03	1.97		2.00	4.65
Legal expenses		1.61		1.61	2.59
Professional charges(Including TA/DA)	0.05	0.85		0.90	1.75
Consultancy expenses(Including TA/DA)		0.52		0.52	1.11
Communication expenses	1.47	6.56		8.03	7.95
Travelling & Conv.exp.(excluding foreign travel)	1.20	29.17	30.37		30.51
Foreign travel		1.57	1.57		1.67
	1.20	30.74		31.94	32.18
Tender expenses		2.52	2.52		0.95
Less: Sale of tenders		0.92	0.92		0.62
		1.60		1.60	0.33
Payment to Statutory Auditors					
Audit Fees		0.06	0.06		0.07
Tax Audit Fees		0.02	0.02		0.02
In Other Capacity		0.12	0.12		0.09
Out of pocket Expenses		0.26	0.26		0.20
		0.46		0.46	0.38
Advertisement and publicity		4.03		4.03	3.06
Printing and stationery	0.14	2.88		3.02	2.70
EDP hire and other charges	0.12	1.03		1.15	0.78
Entertainment expenses	0.05	0.94		0.99	0.85
Brokerage & Commission		0.05		0.05	0.13
Donations					0.03
Research & Development expenses		0.21		0.21	0.16
Rent	0.02	5.59		5.61	6.41
Miscellaneous expenses	0.29	11.17		11.46	10.45
Security Expenses	0.59	15.39		15.98	13.84
Hiring of Vehicle	0.22	18.37		18.59	16.11
Insurance	0.01	27.50		27.51	22.71
Rates and taxes	0.07	14.41		14.48	3.32
Non operating expenses		0.43		0.43	0.06
Expenses for Guest House	0.02	0.70	0.72		0.78
Less : Income from Guest House		0.06	0.06		0.05
	0.02	0.64		0.66	0.73
	4.28	146.95		151.23	132.28
TOTAL	27.47	532.86		560.33	475.94
Stores consumption included in repair and maintenance		12.34		12.34	9.08

Schedule 14 - Provisions

Description	(Rupees in crores)	
	For the year ended 31st March, 2004	For the year ended 31st March, 2003
Shortage in Stores		0.01
Doubtful debts loans and advances	17.98	117.39
Doubtful Interest on Investments		22.07
Doubtful Advances for Construction		0.13
TOTAL	17.98	139.60

Schedule 15 - Interest and Finance Charges

Description	RLDC Transmission & others	(Rupees in crores)	
		For the year ended 31st March, 2004	For the year ended 31st March, 2003
Interest on Loan from			
Government of India	116.24	116.24	267.97
Indian Banks, Financial Institutions & Corporations	160.10	160.10	153.58
Foreign Banks and Financial Institutions	172.10	172.10	195.89
Secured/Unsecured redeemable Bonds	404.09	404.09	345.31
Others			6.59
	852.53	852.53	969.34
Finance Charges			
Rebate to Customers	0.42	56.35	53.22
Incentive to SEBs under Securitisation		177.49	
Commitment charges		8.39	9.13
Other finance charges (including FERV)	0.20	57.62	43.12
	0.62	300.05	105.47
TOTAL	0.62	1152.58	1074.81

Schedule 16 - Incidental Expenditure During Construction

(Rupees in crores)

Description	For the year ended 31st March, 2004	For the year ended 31st March, 2003
A. EXPENSES		
Employees Cost		
Salaries, wages, allowances and benefits	69.01	61.84
Contribution to provident and other funds	9.88	14.36
Welfare expenses	<u>11.83</u>	<u>11.50</u>
	90.72	87.70
Transmission Expenses		
Repairs and Maintenance		
Buildings	2.01	1.21
Construction equipment	0.03	0.04
Others	<u>1.36</u>	<u>1.28</u>
	3.40	2.53
Power charges	2.45	3.77
Less: Recovered from contractors	<u>0.03</u>	<u>0.18</u>
	2.42	3.59
Water charges	<u>0.04</u>	<u>0.06</u>
	5.86	6.18
Administration Expenses		
Legal expenses	0.80	1.25
Professional charges	0.38	1.16
Consultancy expenses	0.35	0.96
Communication expenses	2.68	2.64
Travelling & Conv.exp. (Including Foreign Travel)	11.77	12.45
Tender expenses	1.80	0.84
Less: Income from sale of tenders	<u>0.63</u>	<u>0.34</u>
	1.17	0.50
Payment to Auditors	0.26	0.22
Advertisement and Publicity	2.45	1.98
Printing and stationery	1.32	1.12
EDP hire and other charges	0.46	0.25
Entertainment expenses	0.46	0.40
Brokerage and commission	0.01	0.03
Rent	2.18	2.97
Miscellaneous expenses	5.44	4.57
Security Expenses	1.52	2.01
Hiring of Vehicles	4.98	5.06
Insurance	0.21	0.89
Rates and taxes	0.60	1.02
Depreciation	4.40	2.87
Guest House Expenses	0.11	0.18
Less: Income from guest house	<u>0.01</u>	<u>0.01</u>
	<u>0.10</u>	<u>0.17</u>
Non Operation Expenses		
	41.54	42.52
Total (A)	138.12	136.40
Prior Period adjustment (net)	0.75	0.86
Total	138.87	137.26
(Includes amount transferred to DRE)		2.46

Schedule 16 - Incidental Expenditure During Construction (Contd.)

Description	(Rupees in crores)	
	For the year ended 31st March, 2004	For the year ended 31st March, 2003
B. INTEREST AND FINANCE CHARGES		
Interest on Loans from		
Government of India		28.38
Indian Banks, Financial Institutions and Corporations	24.58	60.75
Foreign Banks and Financial Institutions	15.52	57.62
Secured/Unsecured Redeemable Bonds	86.41	207.61
	126.51	354.36
Finance Charges		
Commitment charges	7.16	8.17
Other Finance Charges	27.95	11.87
	35.11	20.04
Total (B)	161.62	374.40
C. LESS OTHER INCOME		
Hire charges		0.03
Interest from		
Indian banks	0.88	0.21
Foreign banks	0.03	0.03
Others	6.46	20.16
Sub-Total	7.37	20.40
Profit on fixed assets sold		
Miscellaneous income	5.12	1.49
Total (C)	12.49	21.92
GRAND TOTAL (A+B-C)	288.00	489.74

Schedule 17 - Prior Period Adjustments (Net)

Description	RLDC Transmission & others		(Rupees in crores)	
			For the year ended 31st March, 2004	For the year ended 31st March, 2003
Income				
Depreciation written back	0.05	5.43	5.48	1.61
Transmission charges		7.92	7.92	
Others	0.03	8.19	8.22	0.53
	0.08	21.54	21.62	2.14
Expenditure				
Power charges		0.99	0.99	3.16
Rates and taxes		0.08	0.08	
Insurance		1.13	1.13	
Depreciation		5.38	5.38	10.65
Transmission charges written back on account of revision of tariff		11.90	11.90	0.98
Interest		15.77	15.77	0.02
Bonds interest written back		16.78	16.78	
Surcharge written back		4.38	4.38	
Others	0.04	7.93	7.97	2.00
	0.04	64.34	64.38	16.81
Prior period expenditure/(income)(Net)	-0.04	42.80	42.76	14.67

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 (along with 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.7.64 crores (previous year Rs.7.64 crores) towards cost of land acquired in Katwaria Sarai, New Delhi. As the land is acquired on perpetual lease and does not have a limited useful life, no depreciation has been charged.
 - d) Value of buildings include Rs. 7.27 crores (previous year Rs.7.22 crores) for 28 flats at Mumbai, for which registration in favour of the company is pending.
 - e) Freehold land includes Rs. 46.04 crores (previous year Rs. 46.04 crores) for land acquired for Corporate Office/Residential Complex at Gurgaon for which transfer deed in favour of the company is yet to be executed.
 - f) Freehold land include Rs.7.65 crores (previous year Rs. 6.05 crores) and Rs.0.58 (previous year Rs. NIL) for switchyards at Faridabad and Kayamkulam Power Station respectively for land which are yet to be transferred in company's name by NTPC.
4. Pending reconciliation, materials amounting to Rs.6.93 crore (previous year Rs.0.78 crores) in commissioned lines is shown as construction stores lying with contractors.
5. Fixed Assets include company's share of Rs.5.62 crores (previous year Rs.5.62 crores) in common services and facilities of 400 KV sub-stations of Uttar Pradesh State Electricity Board (UPSEB) and Rajasthan State Electricity Board (RSEB) pending execution of formal agreements for joint ownership.
6.
 - a) An amount of Rs.145.79 crores (previous year - Rs.235.47 crores exchange rate variation loss) being exchange rate variation gain in respect of Fixed Assets and Capital Work in Progress has been adjusted in the respective carrying amount during the year.
 - b) Other Finance charges for the year include an amount of Rs. 0.04 crores (previous year-Rs.1.46 crores) being the exchange rate variation loss on Current Assets. Other Income for the year include an amount of Rs. 5.05 crores (previous years - Rs. NIL) being the exchange rate variation gain on current assets.
7.
 - a)
 - i) Balances in 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.
 - iii) Balances in Sundry Debtors are reconciled except in some cases.
 - b) In the opinion of the management, the value of Current Assets, Loans and Advances, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
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. 120 crores and placed a deposit of Rs. 110.80 crores with them (net of front-end fee of Rs.9.20 crores) as a condition of the same contract. CANFINA defaulted on deposit repayment after making repayment of Rs. 16.80 crores. Pursuant to such default in 1993-94, the company forfeited bonds worth Rs.103.20 crores against deposit of Rs.94 crores and write-back of front-end fee of Rs.9.20 crores. Subsequently, during 1994-95, the company restored deposits of Rs. 94 crores by credit to Capital Reserve in accordance with legal advice.
 - b) During 1998-99, on maturity of Rs. 16.80 crores worth of bonds not forfeited, the company repaid Rs.1.03 crores to third parties duly recognised by the company as holders, and in exercise of its lien on balance Rs.15.77 crores, set it off against deposits with CANFINA.

- c) The company has neither accounted for interest income of Rs.9.39 crores (previous year Rs.9.39 crores), cumulative Rs. 126.48 crores on deposit with CANFINA, nor has accounted for cumulative interest of Rs. 18.76 crores payable upto maturity on bonds worth Rs.15.77 crores which were set-off against deposit with CANFINA in the year 1998-99.
- d) An adhoc provision of Rs. 50 crores made towards final settlement of the CANFINA Bonds is continued to be held pending settlement of the above matter.

II. ANDHRA BANK FINANCIAL SERVICES LTD. (ABFSL)

The company was under legal proceedings in respect of bonds issued and deposits placed during the Financial Year 1991-92 in pursuant to a contract with ABFSL. During the year the company has settled the matter as instructed by the various judicial/administrative authorities involved and accordingly a sum of Rs.18.06 crores representing the Bonds forfeited and kept in capital reserve has been written back along with Rs.4.00 crores lying in bonds payable under Other Liabilities Account giving the corresponding effect thereof by adjusting the deposits of Rs.21.50 crores shown hitherto as part of Balance with Subsidiary of Scheduled Banks and reversing the up front fee of Rs.0.56 crores by showing the same as Misc. Income. Further, the company has, in accordance with the instruction of court, paid interest to the tune of Rs. 4.99 crores to certain transferees of the aforesaid bonds.

- 9. Share Capital Deposit of Rs.38.81 crores (previous year Rs. 38.81 crores) 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 :
 - i) Rs. 8.33 crores (previous year Rs.3.27 crores) 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.
 - ii) Rs. 6.58 crores in respect of cheques received from Mizoram State against transmission charges which are yet to be realised as on 31st March 2004 out of which cheque of Rs. 3.22 crores is lying for more than 6 months.
- b) Balance with Scheduled Banks in term deposits include Rs.0.50 crores (previous year Rs. 8.55 crores) 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.2305.01 crores (previous year Rs. 2623.36 crores).
- 12. No payment is due for more than 30 days in respect of the purchases/services made from small scale/ancillary industries.
- 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 erstwhile Electricity Regulatory Commission Act, 1998, issued orders in December, 2000 with respect to the norms, principles and availability based tariff. An appeal was filed by the Company against the above orders before the Hon'ble Delhi High Court, which is yet to be disposed. Pending disposal of appeal, CERC notified tariff norms effective from 1st April, 2001. During the year the final tariff order has been issued by CERC and accordingly, the transmission income for the block period April 2001 to March 2004 has been recalculated and necessary adjustment has been carried out. However, the final tariff orders of certain transmission lines/systems are still pending.
- b) Transmission income from NER constituents and other customers in NER has been accounted for Rs.144.52 crores (previous year Rs.107.57 crores) @ 35 paise per unit as frozen by CERC upto 31.3.2004.
- 15. During the year the Company has continued to provide depreciation at the rates notified for the purpose of recovery of tariff by Central Electricity Regulatory Commission (a body constituted under erstwhile Electricity Regulatory Commission Act, 1998), which were different from the rates notified by the Government of India u/s 75A of the erstwhile Electricity (Supply) Act, 1948. During the year, Electricity Act, 2003 has repealed Electricity (Supply) Act, 1948 along with Electricity Regulatory Commission Act, 1998. CERC as a Regulatory Commission by virtue of Section 76 of the Act, has notified the aforesaid rates which are considered appropriate for charging depreciation for the year. However, by charging depreciation at the aforesaid rates the depreciation charges for the year is lower by Rs. 404.56 crores as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.
- 16. Certain accounting policies have undergone change during the year. The impact of change in accounting policies, on the accounts for the year, is as under:
 - a) Corporate and Regional Office/Project expenses were hitherto considered as common and allocated to revenue (including allocation to RLDCs and APDRP out of revenue) and construction in the ratio of transmission income to annual capital

outlay and transmission income to accretion to capital work-in-progress respectively. During the year the company has changed the policy of allocation of such expenses and has directly allocated the expenses attributable to various activities of the company. Expenses to the extent not so identifiable are considered as common and have been first allocated to such business activities of the company in the ratio of their income/reimbursement. Common expenses so allocated into transmission and telecom activities are further classified as Incidental Expenditure During Construction and Revenue in the ratio of capital outlay and income of such activities. This change in policy has resulted in increase in profit by Rs. 19.81 crores with a corresponding increase in CWIP.

- b) Expenses on training and recruitment which hitherto were charged to revenue are now being accounted for on the basis of nature of training and recruitment expenses. The change in policy has resulted in increase in profit by Rs. 1.22 crores with corresponding increase in CWIP.

Change in Policies stated (a) & (b) above has been adopted for more rationalised allocation of common expenses.

- c) Hitherto depreciation was not being charged on the fixed assets of projects ready for intended use but not under commercial operation. During the year, in view of the opinion obtained by the Company from the ICAI in this regard, the company has charged depreciation on such fixed assets and in accordance with the accounting policy, depreciation upto 31.3.2003 amounting to Rs. 42.47 crores is debited to the Deferred Revenue Expenditure.
- d) Hitherto the revenue expenses incurred for the intervening period on maintenance of the projects as referred to in para (c) above were considered as Deferred Revenue Expenditure. In view of applicability of AS26 on "Intangible Assets", w.e.f. 01.04.2003, the company has changed its policy and in accordance with the provision of the Accounting Standard, expenses incurred after aforesaid date are charged off to Revenue along with the depreciation for the year. This change in policy has resulted in decrease of profit by Rs.4.17 crores.

17. Rebate to customers allowed to constituents on the transmission tariff for the last month of the Financial Year, which was hitherto accounted for in the same month of the Financial Year is now been accounted for on realisation of bills in the subsequent Financial Year in view of opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India. The change in practice has resulted in increase in profit by Rs.4.23 crores for the year.
18. Hitherto the Company has been providing Debenture Redemption Reserve (DRR) upto 25% of the issue size, spreading the same over the period of moratorium. On the basis of an opinion obtained by the company, method for creation of Debenture Redemption Reserve has been changed and as per new method DRR is created to the extent of 25% of the value of bonds to be redeemed in next financial year (as bonds are issued on STRPP basis), unless the amount of DRR has been specified in the Trustee Agreement. This change in method has resulted in reversal of excess DRR amounting to Rs.391.60 crores.
19. Some of the beneficiaries have not reimbursed the Income Tax recovery billed for the period upto 31.03.2004. Considering this aspect as significant uncertainty of recovery, Income- tax recovery billed to such beneficiaries amounting to Rs.1.41 crores (Grossed up Rs.1.53 crores) {previous year Rs.2.09 crores (Grossed up Rs.2.27 crores)} has not been accounted for.
20. Other Income includes Rs. 16.31 crores (previous year- Rs. 11.56 crores) being the amount transferred from Capital Reserve (Grants- in- Aid) as per Accounting Policy No. 2.1.
21. a) In pursuance of Govt. of India scheme for one time settlement of the dues of SEBs (including surcharge) outstanding as on the date of Securitisation i.e. 30.09.2001, Bonds worth Rs.1716.40 crores (including replacement of existing bonds amounting to Rs. 717.23 crores) have been issued by the respective State Governments during the year with retrospective effect from 01.10.2001. Such bonds have been issued at tax free interest rate of 8.50% per annum payable half yearly. Interest amounting to Rs. 246.58 crores on bonds for the period from 1.10.2001 to 31.3.2004 has been accounted for and included in Other Income. Accordingly, a provision of Rs.55.67 crores created on account of interest difference between coupon rates and 8.5% tax free rates, in respect of existing bonds of Rs.717.23 crores upto 31.03.2003, has been written back in the Profit & Loss account.
- b) In continuation of the implementation of aforesaid scheme, Government of National Capital Territory of Delhi (GNCTD) in terms of the Agreement with the Ministry of Power (GOI) has converted Rs. 87.02 crores out of old outstanding dues of DVB/Delhi Transco Ltd. as long term advance to be paid by the GNCTD (shown under loans and advances - Schedule-8) at a similar interest rate of interest of 8.5% per annum and accordingly interest amounting to Rs.18.49 crores has been recognised as income during the year. Though the nature of interest is not notified tax free by the CBDT, the company has considered the income as tax free on the basis of terms of the agreement.
- c) In certain cases, though the company has entered into the requisite Tripartite Agreement under the scheme, some State Governments have not yet issued bonds. Pending issue of bonds, the terms and conditions of the agreement have not been given effect to in the accounts.

- d) The securitisation scheme entitles the State Electricity Boards for incentive on amount of bonds for regular payments of current year dues and accordingly incentive of Rs. 177.49 crores has been provided for the period from 01.04.2002 onwards during the year.
22. During the year the company has issued XIV & XV Series of Bonds aggregating to Rs.1599 crores. Trust Deed in respect of these bonds has been executed after the close of the financial year. In accordance with the past practice, the bonds though issued on secured terms, are shown as unsecured.
23. The Company has consistently followed Accounting Policy for provision of availability based incentive and accordingly incentive for the Financial Year 2003-04 amounting to Rs. 74.07 crores (Previous Year Rs.79.62 crores) has been provided, keeping the present practice, and on the basis of certification of availability by the Regional Electricity Boards. Any consequential effect shall be accounted for in the year of passing of final orders.
24. 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 01.01.2002. A sum of Rs. 36.80 crores (previous year Rs.162.46 crores) is outstanding under sundry debtors as on 31.03.2004 for the power sold.
25. Ranganadi-Balipara Transmission System which was earlier capitalised on 19th May, 2002 has now been capitalised with retrospective effect from 8th August, 1998. Accordingly, all incidental expenditure amounting Rs.1.77 crores including Corporate and Regional Office expenses for the period from 8th August, 1998 to 18th May, 2002, which were capitalised earlier and depreciation for the said period amounting to Rs.20.48 crores have been treated as Deferred Revenue Expenditure. Interest amounting to Rs.15.77 crores for the period from 8th August, 1998 to 18th May, 2002, which was also capitalised earlier, has now been charged to revenue as prior period expenses.
26. Cash equivalent of Deemed Exports Benefits availed, in respect of supplies effected for East South Inter connector-II Transmission Project (ESI) and Sasaram Transmission Project (STP), was refunded in accordance with the decision taken in the meeting held in the office of Director General of Foreign Trade (DGFT) on 22.02.2002 in view of non availability of World Bank loan for the supplies in respect of ESI project and for the supplies prior to March 2000 in respect of STP. Consequent upon World Bank agreeing on 18.03.2004 to finance the ESI project, as originally envisaged, and World Bank financing of subsequent supplies of STP, the management is of the opinion that the entire supplies for both the projects become eligible for Deemed Export Benefits. Matter has been taken up with DGFT and concerned Customs and Excise Authorities for getting refund of the amount paid by the Company to the Authorities in respect of Deemed Exports Benefits. Accordingly, liability of interest amounting to Rs.87.10 crores in respect of ESI project and Rs. 10.56 crores in respect of STP capitalised in earlier years has been written back and an amount of interest of Rs. 5.87 crores charged to revenue in respect of STP has also been written back with consequential decapitalisation and write back of depreciation amounting to Rs.0.53 crores and Rs. 0.13 crores in respect ESI and STP respectively. However, the liability towards interest is included under contingent liability. Principal amount of Deemed Exports Benefits paid by the company continues to be included in the capital cost and shall be de-capitalised on refund of the amount or specific orders in this regard.
27. a) The Company has been providing deferred tax liability after adjusting the amount recoverable from beneficiaries. No liability on deferred tax has been provided in the current year since interest received on Bonds has been notified as tax free income with retrospective effect and income from other activities is negative. Deferred tax liability for the earlier year has been recalculated and excess provision of deferred tax amounting to Rs. 50.55 crores has been written back during the year.
- b) The deferred tax liability of Rs.232.86 crores upto the year ended 31.03.2003 has been revised to Rs. 182.31 crores resulting in total deferred tax liability as on 31.03.2004 to Rs. 182.31 crores. Major components of deferred tax liabilities and assets are given as under:

Particulars	As on 31.03.2004	As on 31.03.2003
<u>Deferred Tax Liability</u>		
Towards Fixed Assets (Net)	196.02	246.57
	<u>196.02</u>	<u>246.57</u>
<u>Deferred Tax Asset</u>		
Transfer to Self Insurance Reserve	1.42	1.42
Income during Construction	2.08	2.08
Retirement Benefits	0.72	0.72
Provisions	9.49	9.49
	<u>13.71</u>	<u>13.71</u>
Net Deferred Tax Liability	182.31	232.86

28. a) Consequent upon diversification into Telecom business, the company has incurred capital expenditure of Rs. 636.15 crores upto 31.03.2004 (previous year Rs.314.61 crores) which has been included under Gross Block, Capital Work in Progress, Construction Stores and Advances. Out of this, Rs. 50.11 crores (previous year Rs.170.91 crores) have been capitalised during the year on commissioning of telecom links. Operation of telecom links has resulted in net loss during the year of Rs. 25.20 crores (previous year Rs. 4.71 crores).
- b) Revenue expenditure of Rs 1.02 crores relating to Telecom Business, which was included under Miscellaneous Expenditure (to the extent not written off) in the financial year 2000-01, is being amortised over five years starting from the financial year 2001-02.
- c) In respect of Telecom Business, a Bank Guarantee of Rs. 100 crores has been issued favouring Department of Telecommunication by creating a charge on the Current Assets.
29. Loans & Advances (Schedule 8) include Lease Receivables representing the present value of future lease rentals receivable on the finance lease transactions entered into by the company with the constituents in respect of State Sector ULDC, as per the Accounting Standard (AS) – 19 issued by the Institute of Chartered Accountants of India.

The reconciliation of the lease receivables is as under :

Particulars	(Rupees in crores)	
	Amount As on 31.03.2004	Amount As on 31.03.2003
Gross value of assets acquired & leased upto 31.03.2003	703.41	-
Less: Gross value of assets acquired last year is adjusted on A/c of revision of cost.	26.70	-
Revised Gross value of the assets upto 31.03.2003	676.71	-
Less : Capital recovery provided upto 31.03.2003	15.51	-
Capital recovery outstanding as on 31.03.2003	661.20	-
Add: Gross Value of Assets capitalised and Leased during the year	9.72	703.41
Less : Capital Recovery for the current year	26.84	15.51
Lease Receivables as on 31.03.2004	644.08	687.90

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

Particulars	(Rupees in crores)	
	Amount As on 31.03.2004	Amount As on 31.03.2003
Gross Investment in Lease	1038.15	1279.57
Unearned Finance Income	394.07	591.67
Present Value of Minimum Lease Payment (MLP)	644.08	687.90

Gross Investment in Lease and Present Value of Minimum Lease Payments Receivable as at 31st March, 2004 for each of the periods are as under :

Particulars	(Rupees in crores)			
	Gross Investment in Lease		Present Value of MLP	
	2003-04	2002-03	2003-04	2002-03
Not later than one year	78.07	89.55	28.78	23.44
Later than one year and not later than five years	312.30	358.20	140.20	119.90
Later than five years	647.78	831.82	475.10	544.56
Total :	1038.15	1279.57	644.08	687.90

The unearned finance income as on 31.03.2004 is Rs. 394.07 crores (previous year Rs. 591.67 crores).

30. Segment Reporting

(Rupees in crores)

	Business Segments				Total	
	Transmission		Others		Current Year	Previous Year
	Current Year	Previous Year	Current Year	Previous Year		
Revenue:						
Transmission of Power, Sale of Power, RLDC, Telecom etc.	2190.61	2083.93	72.42	56.07	2263.03	2140.00
Segment result	717.89	656.30	- 3.64	13.20	714.25	669.50
Unallocated Corporate interest and other income					0.32	86.77
Unallocated Corporate expenses, interest and finance charges					0.28	4.43
Income tax (Net)					-33.91	109.25
Profit after Tax					748.20	642.59
Other information:						
Segment Assets	19592.71	19611.33	808.14	392.53	20400.85	20003.86
Unallocated Corporate and other assets					1283.84	300.19
Total Assets					21684.69	20304.05
Segment Liabilities:	1025.81	790.82	482.62	65.60	1508.43	856.42
Unallocated Corporate and other liabilities					694.08	541.77
Total liabilities					2202.51	1398.19
Depreciation	596.97	459.88	13.85	5.58	610.82	465.46

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.

31. A. Related Party Transactions

a) Related parties:

- Joint ventures : **Power Link Transmission Limited**, Investment in equity shares during the year 2003-04 Rs. 64.26 crores, (previous year nil) Cumulative Investment Rs. 64.31 crores. (previous year Rs. 0.05 crores)
- Reimbursement of expenses pertaining to Joint venture Rs. 5.81 crores.
- Subsidiary : **Bina Dehgam Transmission Company Limited**, Investment in Equity shares during the year NIL. Cumulative investment Rs. 0.05 crores. Outstanding balance at end of the year Rs. 0.38 lacs. Certificate of Commencement of Business not yet received.
- Directors: **Sh. R.P. Singh, Dr. V.K. Garg, Sh. S.C. Misra, Sh. U.C. Misra, Sh. M. Sahoo, Sh. G.B. Pradhan, Sh. Bhanu Bhushan, Sh. Shashi Shekhar, Shri A.K. Kuty.**

b) Remuneration to whole time Directors including Chairman & Managing Director is disclosed in Note No. 36.

c) Advances due from whole time Directors including Chairman and Managing Director Rs. 0.03 crores.

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

B. Consolidated Financial Statements

The Company has made investment of Rs. 0.05 crores in the Equity shares of Bina Dehgam Transmission Company Limited, a subsidiary company. As the Company intends to transfer the control in the near future, the accounts of these subsidiaries are not consolidated.

32. a) Figures have been rounded off to nearest rupees in crores.
b) Previous year figures have been regrouped/rearranged wherever necessary.
33. Earning per share calculated in accordance with the provision of AS-20

	As at 31.3.04	As at 31.3.03
Numerator		
Profit after tax as per Profit & Loss Account	Rs. 748.20 crores	Rs. 642.59 crores
Denominator		
Number of equity shares for basic earning Per share	30352486	30352486
Number of equity shares for diluted earning Per share	30740586	30740586
Basic earning per share (Rs./per share).	247	212
Diluted earning per share (Rs./per share).	243	209

34. Information in relation to the interest of the company in Joint Venture Agreement in accordance with the provision of AS-27.
- a. Significant Joint Venture & Description - Establishment and maintenance of specific Transmission Lines Associated with Tala HEP project on BOOT basis
- b. Proportion of ownership, name & country of incorporation - PGCIL-49% Equity, The Tata Power-51% Equity, India
- c. Contingent liability - Shares of the Joint Venture Company have been pledged with the lenders of the Joint Venture Company after the date of Balance-Sheet.
- d. Capital commitment - Participation of equity upto Rs. 161.65 crores.
- e. Disclosure of information related to and included in Assets/liabilities & reimbursement of expenses - Rs. 64.31 crores equity contribution in Powerlinks Transmission Ltd. shown under 'Investments'.
- Rs. 5.81 crores Reimbursement of Development Exp.
35. In respect of investments in shares as stated in Schedule-7 for "Investments" following shares are not registered in the name of the company are held by the Directors/as its nominee.

	No.of Shares
Power Trading Corporation of India Ltd.	6
Power Links Transmission Ltd.	3
Bina Dehgam Transmission Co.Ltd.	6

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

	(Rupees in crores)	
	Current Year	Previous year
Salaries and Allowances	0.33	0.29
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	0.04	0.03
Other benefits	0.17	0.20

- 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.

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

	Current Year	Previous year
a) Purchase of Power (Million Units)	Nil	1106
b) Sale of Power (Million Units)	Nil	1106

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

	(Rupees in crores)	
	Current Year	Previous year
i) Capital Goods	401.09	529.79
ii) Spare Parts	19.36	22.63

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

	(Rupees in crores)	
	Current Year	Previous year
i) Professional and Consultancy fee	6.04	1.62
ii) Interest	197.22	216.29
iii) Others	30.13	14.58

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

	(Rupees in crores)			
	%	Current Year	%	Previous year
i) Imported	2.51%	0.31	9.03%	0.82
ii) Indigenous (Including Fuel)	97.49%	12.03	90.97%	8.26

d) EARNINGS IN FOREIGN EXCHANGE :

	(Rupees in crores)	
	Current Year	Previous year
Interest	0.03	0.04

39. ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.****i) REGISTRATION DETAILS :**

Registration No.	55-38121
State Code	55
Balance Sheet Date	31 st March 2004

ii) CAPITAL RAISED DURING THE YEAR :

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

iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

	(Rupees in crores)
Total Liabilities	23574.82
Total Assets	23574.82
Sources of Funds	
Paid up Capital	3074.06
Reserves and Surplus	5259.00
Secured Loans	7586.97
Unsecured Loans	4679.41
Advance against Depreciation	395.33
Deferred Tax Liability	182.31
Development Surcharge Reserve	195.23
Application of Funds	
Net Fixed Assets	14883.83
Capital Work-in-Progress (including Construction, Stores and Advances)	3876.06
Investments	1851.13
Net Current Assets	722.29
Miscellaneous Expenditure	39.00

iv) PERFORMANCE OF COMPANY

	(Rupees in crores)
Turnover/Income	2190.61
Other Income (including consultancy and Transfer from Grants in Aid)	614.81
Total expenditure	2091.13
Profit before Tax	714.29
Profit after Deferred tax	748.20
Earning per share (Basic) (Rs.)	247.00
Dividend Amount	125.00

v) GENERIC NAMES OF PRINCIPAL PRODUCT/SERVICE OF COMPANY

Item code No. NOT APPLICABLE
Product Description: Transmission, Central Transmission Utility function.

For and on behalf of the Board

(Divya Tandon)
Company Secretary

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

(R.P. Singh)
Chairman & Managing Director

As per our report of even date

For O.P. Bagla & Co.
Chartered Accountants

For B.M. Chatrath & Co.
Chartered Accountants

For Veerabhadra Rao & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

(P.R. Paul)
Partner

(K. Ramachandra Murthy)
Partner

Place: New Delhi
Date: 6th July, 2004

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, 2004, 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 that:

1. The Company is governed by the Electricity Act, 2003, w.e.f. 10th June, 2003. Though the said Act has repealed the Electricity (Supply) Act 1948 and Electricity Regulatory Commission Act, 1998, certain provisions, to the extent they are not inconsistent with the provisions of new Act, continued to be applied by the Company while preparing the final statements. Further, the provisions of the new Act 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 Companies (Auditor's Report) Order, 2003, 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. The impact of change in accounting policy/practice during the year are as follows :-
 - i) The company has changed the policy for allocation of common expenses of Corporate Office and Regional Office as Incidental Expenditure During Construction (IEDC) and Revenue. This change in policy has resulted in increase in profit for the year by Rs. 19.81 crore as referred to Note No. 16(a) of Schedule 18 with the corresponding effect thereof in Capital Work in Progress (CWIP).
 - ii) Expenses on training and recruitment which hitherto were charged to revenue are now being accounted for as Incidental Expenditure During Construction (IEDC) or Revenue on the basis of nature thereof. The change in policy has resulted in increase in profit for the year by Rs.1.22 crore with the corresponding increase in Capital Work in Progress (CWIP). (Refer Note No.16(b) of Schedule 18)
 - iii)
 - (a) Hitherto Depreciation on fixed assets of projects ready for intended use but not under commercial operation was not being charged. In this regard the Company has changed the policy and has charged depreciation on such fixed assets for the year to revenue and depreciation upto 31.3.2003 is considered as Deferred Revenue Expenditure with the corresponding effect thereof in fixed assets. (Refer Note No.16 (c) of Schedule 18)
 - (b) Hitherto the revenue expenses incurred for the intervening period on maintenance of the projects as referred in para iii (a) above were considered as Deferred Revenue Expenditure. During the year the company has changed its policy and expenses for the year are charged off to Revenue along with the depreciation for the year.

Above changes in policy have resulted in decrease of profit for the year by Rs. 4.17 crores. (Refer Note no.16(d) of Schedule 18)
 - iv) Rebate allowed to the constituents was hitherto accounted for in the relevant financial year, which is now accounted for on realisation of bills. This change in practice has resulted in increase in profit for the year by Rs. 4.23 crores. (Refer Note No.17 of schedule 18.)
4.
 - i) ***Restoration of deposits of Rs. 94 crores, as referred to in Note no. 8.I(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) ***Set-off of maturity value of bonds of Rs. 15.77 crores 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.***

iii) *Consequent to (i) and (ii) above, Rs. 78.23 crores are lying as Deposits with CANFINA, in respect of which, though the Company holds an adhoc provision of Rs. 50 crores towards final settlement of the matter, we are unable to express our opinion about the extent of recoverability. (Refer Note 8(1) of Schedule 18) .*

Pending settlement of the above matter, the resultant net effect on the accounts is not ascertainable.

5. 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 as in earlier years 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) *The Government of India Scheme implemented for one time settlement of State Electricity Boards dues to the Company as on September 30, 2001 (Note no. 21(c) in Schedule 18), may result in securitization of certain Sundry Debtors retrospectively by issue of Bonds.*

6. 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 purpose of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.

c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

d) In our opinion, subject to our observations in paragraph 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) In pursuance to the notification No. GSR 829(E) dated 17.7.2003, issued by the Department of Company Affairs, clause (g) of sub-section (1) of section 274 of Companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.

f) *Subject to our observations referred in paragraphs 4 and 5 above 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 annexed thereto, in so far as these are not inconsistent with the Electricity Act, 2003, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2004.

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 O.P. Bagla & Co.
Chartered Accountants

(Rakesh Kumar)
Partner
M. No. 87537

For B.M. Chatrath & Co.
Chartered Accountants

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

For Veerabhadra Rao & Co.
Chartered Accountants

(K. Ramachandra Murthy)
Partner
M. No. 18402

Place: New Delhi

Date: 6th July, 2004

ANNEXURE TO THE AUDITORS' REPORT

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

1. a) The Company has generally maintained records of Fixed Assets, showing, except in few cases, full particulars including quantitative details and situation of Fixed Assets.
b) The assets have been physically verified by external agencies during the year and discrepancies noticed on such verification, though not material, have not been reconciled / adjusted in the books of accounts. In our opinion, frequency of verification is reasonable.
c) During the year substantial part of Fixed Assets have not been disposed off by the company.
2. a) Physical verification of inventory has been conducted by external agencies during the year, except for the materials lying with contractors. In our opinion frequency of verification is reasonable.
b) The procedures of physical verification of inventory, followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) The Company has maintained proper records of inventory. Material discrepancies noticed on physical verification of the inventory have been properly dealt with in the books of account except material lying with contractors where verification is not undertaken.
3. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, Clauses iii(b), iii(c) and iii(d) of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and the nature of its business, with regard to purchase of inventory and fixed assets and income from transmission activities. During the course of our audit we have neither come across nor have been informed, of any, continuing failure to correct major weaknesses in the underlying internal control procedures.
5. According to the information and explanation given to us, there are no transactions during the year that needs to be entered in the register in pursuance of section 301 of the Companies Act 1956. Accordingly Clause (v)(b) of paragraph 4 of the Order is not applicable.
6. Since the Company has not accepted any deposit from the public, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of section 58-A and 58-AA of Companies Act, 1956, and rules framed thereunder, does not arise.
7. The Company has an Internal Audit system. In our opinion, the scope and coverage of Audit are commensurate with the size and nature of its business. However, the compliance and implementation mechanism needs to be further strengthened.
8. The Central Government has prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956 in respect of Transmission & Telecom Operations of the Company. We have broadly reviewed the Cost Records prepared by the Company and are of the opinion that, prima facie, the prescribed records have been made and maintained.
9. a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues with appropriate authorities including Provident Fund, Income Tax, Sales Tax, Wealth Tax, custom duty, excise duty and other material statutory dues applicable to the Company and that there are no undisputed statutory dues outstanding as on 31.3.2004 for a period of more than six months from the date they became payable.

As informed the provision of the Employees State Insurance Act and Cess are not applicable to the Company. Unclaimed bonds of Rs. 5.00 lacs which has not exceeded the time limit, prescribed under Section 205C of the Companies Act, 1956, is lying as liability towards Investor Education and Protection Fund.

b) According to information and explanation given to us, following disputed income tax/sale tax/customs duty/wealth tax/excise duty dues have not been deposited.

<u>Particulars</u>	<u>Amount</u> (Rs. in crs.)	<u>Forum Where Pending</u>
Entry Tax	2.39	Pending with Assessing Authorities of Sales Tax Deptt.
Sales Tax	35.78	J&K State Sales Tax Appellate Tribunal
Interest on custom/Excise duty	66.38	Commissioner of Customs & Excise, Mumbai & Trivendram
Interest on custom duty	16.43	Commissioner of Customs & Excise, Peetampur & Mumbai
Entry tax	4.57	Dy. Commissioner, Sales Tax, Bihar
Sales tax	0.07	Jt. Commissioner (Appeals), Sales Tax, Allahabad
Income tax & Interest	6.59	Commissioner of Income Tax (Appeals), New Delhi.

10. The Company does not have accumulated losses at the end of financial year and has not incurred any cash loss in the financial year under audit, and also in the immediately preceding financial year.
11. On the basis of audit procedures adopted by us and according to the records, the Company has not defaulted in repayment of dues to any financial institution or bank or bondholders **except bonds of Rs. 15.77 crores payable to CANFINA, which has been set off against corresponding deposit in earlier years and is lying unpaid in view of the legalities involved in the matter. Refer Note No. 8 (I) of the Schedule 18 of Notes On Accounts.**
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or nidhi/mutual benefit fund/society. Therefore, the provisions of Clause 4(xiii) of the Order are not applicable.
14. In our opinion, the Company is not dealing in or trading in shares, debentures, securities and other investments. Accordingly, the provision of Clause 4(xiv) of the Order are not applicable.
15. As informed to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. However, the shares held by the Company in Power Link Transmission Limited have been pledged in favour of financial institutions for financial assistance obtained by the said company i.e. Power Link Transmission Limited as per the terms and conditions of Joint Venture Agreement. In our opinion, the terms and conditions of pledge agreement are not, prime facie prejudicial to the interest of the company.
16. In our opinion on an overall basis and according to the information and explanation given to us, the company has applied term loans for the purpose, the loans were obtained during the year.
17. In our opinion, on an overall basis, and according to the information and explanation given to us, the company has not used the funds raised on short term basis for long term investment and vice versa during this year.
18. The Company has not made any preferential allotment of share to parties and Companies covered in the register maintained under section 301 of the Act during this year.
19. Securities have been created against all the bonds issued by the company except XIV and XV Series of Bonds aggregating to Rs.1599 crores issued during the year for which securities have been created during May, 2004.
20. The Company has not raised money by public issue during the year. Accordingly clause 4(xx) of the order is not applicable.
21. During the course of our examination of books and records of the company, carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instances of fraud on or by the company, nor have we been informed of such cases by the Management during the year.

For O.P. Bagla & Co.
Chartered Accountants

(Rakesh Kumar)
Partner
M. No. 87537

For B.M. Chatrath & Co.
Chartered Accountants

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

For Veerabhadra Rao & Co.
Chartered Accountants

(K. Ramachandra Murthy)
Partner
M. No. 18402

Place: New Delhi
Date: 6th July, 2004

Management Discussion and Analysis

Transmission Structure and Development:

Union Government of India visualized the formation of a National Grid along with the necessary Load Despatch facilities at the State, Regional and National levels for integrated operation for the optimal development and utilization of hydro and thermal resources and reliability of electric supply. With this end, Power Grid Corporation of India Ltd (POWERGRID) was formed in October, 1989 for establishment and operation of regional and national power grids, through transfer of transmission assets and manpower from the constituent central sector undertakings namely, NTPC, NHPC, NEEPCO, NLC, etc.

Starting its commercial operations in the year 1992-93 with a transmission network of about 22,000 ckt. Kms. and transformation capacity of 13,000 MVA, the company has come a long way and today its transmission network is of about 48,000 ckt. Kms and transformation capacity of about 46,500 MVA.

With the amendments to the Electricity laws in 1998, the concept of 'Central Transmission Utility' (CTU) was put in place and POWERGRID was notified as a CTU with the mandate for planning, co-ordination, supervision and control over complete inter-state transmission system including that of private licensees, in the country. The 1998 Act also recognized 'Transmission' as a distinct activity, facilitating private sector participation in Transmission. The Reform process got re-inforced with the enactment of Electricity Act, 2003 as a consolidated legislation on electricity laws with a view to taking measures conducive to development of electricity industry, protecting consumer interest, supply of electricity to all areas, providing Open access in Transmission, establishing more competitive market in the Indian Electricity Sector. POWERGRID has again been notified as a CTU under Electricity Act, 2003. A CTU, however, cannot now engage in generation of electricity and trading in electricity.

Growth in Transmission:

Keeping in view the large incremental capacity addition requirements of 1,00,000 MW in 10th and 11th Plans and to fulfill the macro objective of Power sector i.e. power to all by 2012, the long term plan of POWERGRID is oriented towards implementation of associated transmission systems for incremental capacity addition, implementation of transmission system to strengthen regional grids, development of an integrated National Grid with flexibility for power transfer from one region to another and setting up the requisite Load Despatch facilities for real time grid operation.

POWERGRID's commitment towards construction of National Grid

The company has shown remarkable achievement during the initial two years of the Xth Plan. The target and achievement during these two years can be seen as under:

Works Programme for the year 2002-2003- (Stringing in Ckt. Kms)

Works	Target (Ex.)	Achievement	%
800/400/220 kV EHV AC & 500 kV HVDC lines	3985	3845	96%

Works Programme for the year 2003-2004- (Stringing in Ckt. Kms.)

Works	Target (Ex.)	Achievement	%
800/400/220 kV EHV AC & 500 kV HVDC lines	1580	2487	157 %

For the 3rd year of the 10th Plan i.e. 2004-2005, a target of 3,355 ckt. kms. have been set and against the said target, till June, 2004 stringing of 698 ckt. kms. has already been completed. The company is committed to surpass the target.

Formation of National Power Grid has been planned to be developed in a phased manner. The first phase comprising HVDC back-to-back links inter-connecting all the regional grids was accomplished in 2002, resulting in an inter-regional power transfer capacity of 5,000 MW. This capacity has been enhanced to 9,000 MW with the commissioning of 2,000 MW Talcher-Kolar HVDC Bipole and Raipur – Rourkela 400 kV D/c line alongwith series compensation. The inter regional transfer capacity planned to be increased upto 30,000 MW by 2012 can be accelerated to be achieved earlier, depending upon generation additions by CPSUs including those hydro-electric projects considered under accelerated hydro development plan as envisaged. The establishment of National Grid will mitigate regional imbalances and improve reliability & quality of power supply.

During the year 2003-04, POWERGRID facilitated transfer of 22,000 million units of power worth Rs. 4,400 Crore across the regions.

Opportunities and threats:

POWERGRID being the sole agency to establish the requisite transmission capacity in the Central sector to match the generation capacity addition and facilitate inter-state/ inter-regional exchange of power is focusing on creation of a reliable and strong National Grid by adding about 60,000 circuit kilometers of Transmission Network till the Year 2012. This would require capital investment of over Rs. 70,000 Crore during X & XI five year Plans for supporting a generation capacity addition plan of 1,00,000 MW. Out of this Rs. 50,000 Crore is planned to be invested by POWERGRID on its own. The balance Rs. 20,000 Crore is to be mobilized through private investment and is dependent on GoI policy and CERC. Such an integrated grid will carry 60% of the power generated in the country by 2012.

As regards private investment, POWERGRID have taken certain initiatives, which are deliberated in subsequent paragraphs.

Risks and Concerns:

The CERC has notified terms and conditions of tariff for the period 2004-09, applicable from 1.4.2004. As per these norms, the Return on Equity(RoE) has been reduced from 16% to 14% post tax. Needless to mention that reduction of RoE would adversely affect the future profits as well as internal resources of the company and is a matter of concern. Advance against depreciation shall be allowed to meet debt service obligation by considering the repayment period of loan as ten years. The Development Surcharge has been discontinued. POWERGRID had filed a petition for amendment of certain provisions notified in the regulations. CERC in its order of Sept., 2004 has amended the regulation on debt-equity ratio to the extent that debt-equity ratio for all the existing transmission assets considered by the Commission for the purpose of fixation of tariff for the period prior to 1.4.2004 shall be continued for the tariff period 2004-09. The Commission shall generally consider the debt-equity in the ratio of 70:30 for the ongoing projects for which investment approval has been approved and are likely to be commissioned during the tariff period of 2004-09. In case of deployment of lower level of equity, the actual equity shall be considered. Some relief has also been granted on the incentive component, which was earlier notified to be linked to annual transmission charges. In the amended regulation, it has been linked to equity and all efforts towards availability beyond 98% for AC System and 95% for HVDC System would be incentivised.

On the commercial front, in line with the Ahluwalia Committee Report on securitization of old dues, out of the total outstanding dues of Rs. 2048 Crore to be securitized, 8.5% tax free bonds to the tune of Rs. 1716.40 Crore were received during the year 2003-04 from twenty six States which includes replacement of bonds already issued by State utilities to the extent of Rs. 717.23 crore. Further, Rs. 87.02 crore was also received in the form of long term advance from Govt. of NCT of Delhi out of outstanding dues of DVB/ Delhi Transco Ltd. The issue of balance bonds to the tune of Rs. 234 crore is being pursued. During the year 2003-04, the realization against the billing was of the order of 98.3%. LCs have been opened by most of the State utilities. Liquidation of post securitization dues wherever existing is also being pursued. The risk and concerns related to realization against billing are though being mitigated through securitization scheme, poor financial health of State power utilities remains a matter of lurking concern.

Grid Performance:

During the financial year, the grid performance has largely been improved due to implementation of Availability Based Tariff, Free Governor Mode of Operation of generating units, addition of various inter-regional links and manning of RLDCs by skilled and experienced personnel. The frequency profile for 2003-04 was most of the time close to 50 Hz i.e. desired frequency.

There were no major grid disturbances during the financial year 2003-04. The O&M performance surpassed MOU targets for excellent rating with respect to availability of transmission system and number of tripping of lines.

Open Access:

A new concept of 'Open Access' has been introduced in the Electricity Act, 2003, as a step towards creating competition in the power supply industry. CERC has issued regulations for providing open access in inter-state transmission lines on 6th February, 2004 with a stipulation that procedure, terms and conditions for short and long term open access should be framed by CTU, POWERGRID. Accordingly, POWERGRID, has issued transparent procedures and guidelines including bidding for short-term customers to facilitate the non-discriminatory open access as well as procedures, terms and conditions for long-term customers. These are being implemented transparently and faithfully.

Telecommunication

POWERGRID in addition to its own responsibility of building, maintaining and operating transmission system, need to operate grid on real time basis. This needs a dedicated communication network in all regions criss-crossing the entire country. This shall facilitate real time data transmission to Control Centres for optimum operation, security and stability of grid.

Apart from for its own need, POWERGRID to exploit its large infrastructure of transmission lines, has outlined laying down nation wide Telecom Network of about 20,000 km of optical fibre to interconnect 60 major Metros/cities, rural and unserved areas. Most of the network have already been operationalised and remaining part of the Network is scheduled to be completed in the current year. The

company has entered into MoUs with major telecommunication players, for utilisation of capacity. The company has obtained Infrastructure Provider-I&II and ISP-Category 'A' License from Government of India.

Integrated Management Policy:

POWERGRID is committed to:

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

to the satisfaction of stakeholders in all areas of its activities and shall endeavor to improve continually its management systems and practices in conformity to legal and regulatory provisions. To this effect, POWERGRID has received certification of ISO-9001 for Quality Management System, ISO-14001 for Environment Project Management and OHSAS-18001 for Occupational Health and Safety Assessment Series from British Standard Institute (BSI), UK, a reputed international certifying body.

Significant Initiatives:

Attracting Private Participation through Joint Venture route:

POWERGRID had taken up a pilot project on Joint Venture route. POWERGRID and TATA POWER have established first Private-Public joint venture in Transmission Sector viz. “Powerlinks Transmission Ltd.” for implementation of specific Transmission Lines of about 1200 Kms. associated with Tala HEP in Bhutan, East-North Interconnector and Northern Region Transmission System on Build, Own, Operate and Transfer basis. During 2003-04 the company became functional. The JV Company has received its transmission license from CERC in November, 2003 for a period of 25 years. Rs. 131.25 Crore of equity has been infused in the company out of which POWERGRID has invested Rs. 64.31 Crore. The financial closure with multi-creditor long term debt commitment was successfully achieved in May, 2004 from International Finance Corporation (IFC), Asian Development Bank (ADB), State Bank of India (SBI) and Infrastructure Development Finance Company (IDFC) aggregating to Rs.980 Crore. The multilateral lending agencies like IFC and ADB have acclaimed this Model and IFC have observed that it has potential for replication in India and abroad.

POWERGRID has further taken up initiative for selection of JV partner for specific transmission lines associated with (i) Parbati-II (800 MW) and Koldam (800 MW) HEP. Request for Selection documents have been issued. The offers received for transmission lines associated with Parbati-Koldam are under evaluation and efforts are on to expedite investment approval for the project.

Recently, another initiative has been taken in this direction and POWERGRID has proposed to establish WR Grid Strengthening Scheme-II under joint venture route. Keeping in view the emphasis that new investment in generation, transmission and distribution should be structured through a tariff based transparent competitive bidding process, the subject JV initiative envisages two stage solicitation process, consisting of Request for Qualification (RfQ) and Request for Proposal (RfP). Another feature of these JV projects is that the Sub-stations under the WR Grid Strengthening Scheme-II are also part of the scope of JV work. The RfQ would detail scope of work, qualification requirements, proposed project time schedule, qualification statement submission requirements, equity contribution requirements, evaluation procedure for shortlisting and brief details of RfP process for each project. The parties shortlisted based on Qualification Data will be eligible for participation at RfP stage. RfP document would inter alia include scope of work, details regarding submission of proposal, evaluation criteria, functional specification of transmission lines and sub-stations, financing proposal and project base cost.

Efforts on IPTC route:

Government of India issued the “Guidelines for Private Sector Participation in Transmission Sector” on 31.01.2000 to facilitate uniform approach in the selection of Private Investors. Pursuant to these Guidelines, POWERGRID took up a Pilot Project on IPTC Route through International Competitive Bidding. Bidding process was carried out in two stages through Request for Qualification (RfQ) and Request for Proposal (RfP) with NIT for RfQ stage published during February,2001. Fifteen Parties purchased the RfQ and six parties submitted the Qualification Statement during July, 2001. POWERGRID shortlisted the qualified parties and issued RfP document during January, 2002. Out of four parties shortlisted for submission of Techno-commercial and tariff proposal at RfP stage, only one party i.e. Consortium of M/s. TNB, Malaysia & M/s. KPTL, India submitted their bid during October, 2002. POWERGRID proceeded further with the evaluation of the proposal submitted by the Consortium.

Meanwhile, Electricity Act, 2003 was promulgated during June, 2003. As per the provisions of Act, any person desirous of undertaking transmission of electricity can file an appropriate application with CERC for grant of “Transmission License”. Accordingly, Consortium applied for Transmission License to CERC on 5.12.2003 and submitted a copy of their application to POWERGRID also. As per the Act, POWERGRID, in its capacity as CTU, was required to submit its recommendations, if any, to CERC. POWERGRID submitted its

recommendations to CERC on 02.01.2004. Hearings were held on the Transmission License application of Consortium and CERC finally issued an Order dtd. 27.04.2004, rejecting the application for grant of license on the ground that the tariff being asked by Consortium is higher and will not benefit the end consumer. Thus, despite concerted efforts made by POWERGRID, not much headway could be made on IPTC route.

Efforts for improvement of Sub-transmission and Distribution system

Planning and execution of large capacity addition programme coupled with establishment of a countrywide National Grid for optimal disbursement of the available resources can never attend the desired level of effectiveness without compatible strengthening of sub-transmission and distribution systems. It is re-assuring that Government of India has now identified distribution reforms as the major thrust area for achieving overall power sector reform. Launching of Accelerated Power Development & Reforms Programme (APDRP) with the central assistance to demonstrate model for vital distribution circles has marked the beginning of such reform programmes. Keeping in view the critical importance of such programme and also as a marked commitment towards sectoral development, POWERGRID has already established itself through pioneering efforts in the furtherance of such programme and has engaged itself with large number of State Utilities as an Advisor cum Consultant to fulfill such action plan. POWERGRID is working for 105 circles spread over 18 States. Besides, under separate bi-lateral agreement, POWERGRID has been involved in implementing schemes worth Rs. 2000 crores in various States like Bihar, Goa, Meghalaya, Mizoram etc. Prioritized areas of physical augmentation in various distribution network aimed at reducing high level of existing technical losses supported with improvement in the level of collection of revenues, are expected to boost the financial health of the SEBs in near future.

POWERGRID's foray into Rural Electrification:

The country is facing a severe shortage of rural infrastructure and one of the major areas of concern is providing rural households access to electricity. Government of India has launched a new scheme for "Accelerated Electrification of one lac villages and one crore households" for being provided electricity replacing the 'Accelerated Rural Electrification Programme (AREP). In this connection, POWERGRID has signed an MOU with Rural Electrification Corporation to strengthen and up-grade Rural Electric Supply Backbone and bring the un-electrified villages of the country on the grid map of India.

POWERGRID is already executing a comprehensive rural electrification project covering 2400 villages in twin districts of Muzaffarpur and Vaishali in Bihar at a cost of Rs.174 crore for which POWERGRID will be receiving a consultancy fee of Rs.14 crore approximately. By enlarging its present scale of operation in rural electrification, POWERGRID is expecting to provide services for electrification of additional 30,000 villages in the states of Bihar, West Bengal, Uttar Pradesh, Karnataka, Rajasthan and Jharkhand in next five years contributing towards Nation Building and fulfilling its responsibility in the larger interest. This will also generate additional revenue of Rs.250 crore to POWERGRID.

Internal Control:

POWERGRID has a comprehensive Internal control to verify the Accounting and Financial Management System, adequacy of controls, material checks, financial propriety aspects and compliance implementation mechanism. In the year 2003-04, Internal Audit was undertaken of all the Accounting units covering regions, RLDCs and Corporate Centre of POWERGRID partly in-house and partly outsourced to Chartered Accountants firms under the supervision of company. In addition, the company has an Audit Committee in place, to which the Internal Audit is undertaken and the scope of work/programme of Internal Audit for the following year viz. 2004-05 is appraised.

HR Initiatives:

To align with the Organization strategy, the HR interventions has facilitated manning of the new Transmission Projects, APDRP and Sub-Transmission works internally through Re-deployment and Re-adjustment of Manpower from within the Organization.

POWERGRID has established a School which is another feather in its cap towards the corporate Social Responsibility to cater to POWERGRID wards and the areas around for ensuring quality education.

Cautionary Statement:

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

Annexure - II to the Directors' Report

**PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217 (2A) OF THE COMPANIES ACT, 1956
FOR THE YEAR 2003-04**

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	V.C. Agarwal	GM (Construction Management)	B.E. (Civil), M.E. (Civil)	1005070	37	16.08.91	60	NTPC
2	V.N. Sharma	DGM (Finance & Accounts)	B.A., S.A.S.	887810	39	19.11.91	60	NHPC

Notes:

- 1) Remuneration includes Salary, Allowances, Leave encashment, Leave travel concession, Payment for subsidised leased accommodations, reimbursement of medical expenses to employees and employer's contribution to Provident fund and other funds. In addition, employees are entitled to Gratuity/Group Insurance in accordance with Company's rules.
- 2) None of the Employees listed above is related to any of the Directors of the Company.
- 3) Being a public sector Company all the equity shares of the Company are held by Government of India. Hence, disclosure under sub-clause (iii) of clause (a) of sub-section (2A) of section 217 of the Act is not applicable.

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

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken and on hand:

All efforts are made by POWERGRID for conservation of energy from planning of the transmission projects stage up to their execution. While finalizing the transmission system for any project, especially in selection of 800kV & HVDC alternatives, one of the major criteria in selection of final system is lower losses. In fact, POWERGRID has planned one of the highest capacity 2500MW \pm 500kV HVDC Bipole of 800KM under Barh Transmission system & various 800kV transmission lines under transmission system associated with different generation projects. While designing the transmission system, optimization is done so that the losses in the transmission system are minimized. The conductors are selected such that the losses in them due to internal resistance as well as due to external effects are bare minimum. The bus bar materials and the clamps and connectors are chosen meeting the stringent international requirements so that there is least loss of energy in them. While evaluating transformer & shunt reactor packages, equipment with minimum losses is given weightage. Further, in case of transmission hardware, the material with lower losses is specified and while evaluating, due consideration is given to low losses. Other switchgear is also suitably selected and evaluated before award itself for most efficient operation from thermal and loss efficiency point of view. The various other equipment parameters and types are also so chosen such that the losses are optimized. Latest techniques, intelligent systems for example series compensation, shunt capacitors, FACTS, bundled conductors etc are being introduced for loss reduction. This is a major step in energy conservation as the energy saved on account of losses is construed as energy generated.

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

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

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Overall optimization is achieved as described above.

(d) Total energy consumption and energy consumption per unit of production as per form "A" of the Annexure in respect of industries specified thereto:

This is not applicable for POWERGRID since it does not fall under any of the industries mentioned in the schedule.

B. RESEARCH AND DEVELOPMENT

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

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

Completed Projects:

1. 765kV S/C Compact Delta tower configurations for the first time in any utility to reduce Right of Way from 85m to 64m resulting in Forest & Environmental conservation as well as reduction in Forest compensations.
2. Height of various towers of 800 kV Tehri- Meerut transmission line passing through Rajaji National Park have been increased by 18 m to 25 m so as to conserve forest and for protection of wild life.
3. Compaction of substation bays for 132kV, 220kV & 400kV ensuring reduction in land use by 10% to 20%.
4. Transmission line route selection and length optimization through modern survey techniques using Satellite Imageries, Total

Stations and Computer Aided tower spotting for all forthcoming projects facilitating reduction in route length amounting to approx. Rs.100 cr.

5. HVDC Bipole Design for 2500MW.
6. 400kV Multicircuit towers to accommodate 4 circuits in forest stretches as an initiative towards Environmental Conservation.
7. Design finalization for 400kV D/c Pole structure for use in areas of high population density and to ensure aesthetic integration to surrounding environment.
8. Completed inhouse design and testing of 15 no. of towers for transmission lines upto 765kV.
9. Development and finalization of 800KV transformers, reactors and other substation equipments specifications.
10. For the first 400KV Gas Insulated Substation (GIS) of POWERGRID at Maharani Bagh (Delhi) basic designs have been completed.

Ongoing Projects

1. Several existing Substations in North-Eastern Region, Southern Region and Western Region are being designed for remote operation from nearby Substations so as to reduce the operation cost.
2. Substation Automation has been adopted for all new Substations of POWERGRID. This would result in savings in operational cost and increased operational efficiency.
3. Work on series capacitor on Panki-Muradanagar line in progress.
4. Development of in-house foundation and tower designs for use in on-going transmission line projects.
5. POWERGRID is undertaking development of in-house designs for 400kV & 765kV guyed towers as well as ERS in association with SERC.
6. POWERGRID has initiated action for use of new technology high rating INVAR conductor in one of the forthcoming 400kV transmission line - LILO of Ballabgarh-Dadri line at Maharani Bagh.
7. Development and Testing of High strength 320kN and 420kN rating insulators.
8. High Surge Impedance Loading (HSIL) line design.
9. High Capacity, $\pm 600/800$ kV, 4000-8000 MW HVDC Bipole design for long distance power transfer over 2000-2500 km. from NER.
10. Reduction in overall cost and land requirement for new substations by adopting various measures like optimization of bay widths of 400KV (27m \rightarrow 24m), 220KV (18m \rightarrow 16m) and 132KV(12m \rightarrow 10.5m), re-designing of Control room building and introducing multistory buildings in Substation Colony.
11. Engineering Data Integration on GIS Platform.

Technology Absorption :

1. POWERGRID is implementing a State-of-the-Art Thyristor Controlled Series Capacitor (TCSC) on synchronous inter-regional link between Rourkela in Eastern Region and Raipur in Western Region.
2. POWERGRID is employing modern Survey techniques for route selection, length optimisation and estimation of BOQ for transmission lines.
3. Substation Automation has been adopted by POWERGRID in all the new substations of POWERGRID.
4. As a step towards National grid, 800kV technology is being absorbed for implementation in our country.

Foreign Exchange Earnings and Outgo:

Foreign Exchange Earnings

	(Rupees in Crore)
(i) Interest	0.03
(ii) Others	-
Total:	<u>0.03</u>

Foreign Exchange Outgo

(i) Capital Goods and spare Parts	420.45
(ii) Professional and Consultancy Fee	6.04
(iii) Interest	197.22
(iv) Others	30.33
Total:	<u>654.04</u>

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF POWER GRID CORPORATION OF INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH 2004.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

MANAGEMENT REPLY

A. Balance Sheet

(i) Fixed Assets (Schedule 4)

Gross Block - Rs. 19876.23 crore

Nathpa Jhakri – Nalagarh Transmission Line had been considered by the Company as completed in May, 2001. However, the Company commissioned and capitalized the line in March, 2003. As the delay occurred mainly due to recasting of one damaged tower, Interest During Construction (IDC) amounting to Rs. 60.58 crore for the period from the date of completion to the date of actual capitalization should not have been capitalized and should be charged to Profit & Loss account.

(ii) The Company capitalized Talcher – Meramundali Transmission Line in December, 2003 and Meramundali – Jeypore Transmission Line in January, 2004, though these lines were completed and ready for charging in March, 2003 and November, 2003 respectively.

Accordingly, the expenditure on account of IDC and IEDC amounting to Rs. 3.31 crore and depreciation of Rs. 94 lakh for the period from the date of completion to the date of actual capitalization should have been charged to profit and loss account in terms of the Company's accounting policy. Non-capitalisation of these lines from the date of completion, resulted in overstatement of Gross Block of Fixed Assets by Rs. 3.31 crore and understatement of depreciation by Rs. 94 lakh and overstatement of Profit by Rs. 4.25 crore.

(iii) Reserves and Surplus (Schedule 2)

Bonds Redemption Reserve - Rs.366.42 crore

A reference is invited to note no. 18 of the Notes on Accounts (Schedule-18) which states that "hitherto the Company has been providing Debenture Redemption Reserve (DRR) up to 25 per cent of the issue size, spreading the same over the period of moratorium. On the basis of an option obtained by the Company, method for creation of DRR has been changed, and as per new method, DRR is created to the extent of 25 per cent of the value of bonds to be redeemed in the next financial year".

This is not in accordance with the Department of Company Affairs circular dated 18 April, 2002, according to which adequacy of DRR for manufacturing and infrastructure companies is 25 per cent of the value of bonds/debentures issued through private placement. As a result, general reserve stands overstated and Bonds Redemption Reserve understated by Rs. 391.60 crore.

The transmission line cannot be test charged even in the absence of a single tower. As such the line cannot be said to be ready for intended use and therefore could not be capitalized. Hence the capitalisation of interest is appropriate.

Though, the final leg of the stringing was completed during the month of March, 2003 in respect of Talcher – Meramundali line, the line could not be test charged as the line bays at both the ends of the transmission line were not ready.

As regards the Meramundali – Jeypore line, the final leg of the stringing was completed during the month of November, 2003. However, line bay was not ready at Meramundali end. As such it was not possible to test charge the line at 400 KV level. Finally the line was test charged only at 220 KV level on 29.12.2003.

Accordingly, the capitalisation of the above lines and the treatment of IDC and IEDC has been correctly done.

The Companies Act provides that Company shall create a Debenture Redemption Reserve for the redemption of Debentures, to which **adequate** amounts shall be credited, from out of its profits **every year** until such Debentures are redeemed. The intention of the Companies Act is to ensure availability of Debenture Redemption Reserve to the extent of 25% immediately before the redemption of Bonds. The Reserve has been created based on the above principle.

This interpretation has been based on the professional opinion obtained by the Company and also confirmed by the opinion obtained from Additional Solicitor General of India.

B. Profit and Loss Account

(i) Income

**Consultancy, Project Management and Supervision Fees –
Rs. 37.08 crore**

Against the total cost of Rs. 2.81 crore incurred till March, 2004 in respect of 4 cost *plus* consultancy *cum* construction contracts, the income due as per the terms of the agreements works out to Rs. 42 lakh. However, the income booked in the accounts is Rs. 6.76 crore, resulting in overstatement of income as well as profit by Rs. 6.34 crore.

The scope of these contracts includes certain preliminary works like preparation of cost estimates, invitation of bids, placement of orders for execution of the work etc besides supervision of physical execution of the work. As per the technical assessment, the above pre-award works were already completed before 31st March, 2004. Therefore, the booking of income of Rs. 6.76 crore is based on technical assessment of work executed as per accounting policy of the Company.

(ii) Transmission, administration and other Expenses (Schedule 13)

Employees Cost - Rs. 331.77 crore.

The above is understated by Rs. 1.09 crore due to short provision of liability towards leave encashment and post retirement medical benefits. This has resulted in overstatement of profit and understatement of liability by Rs. 1.09 crore.

Noted

(iii) The Company spent Rs. 1.09 crore towards sponsorship charges and other goodwill gestures during the year. Out of this, Rs. 57.97 lakh has been booked to various ongoing projects as Incidental Expenditure During Construction (IEDC) instead of charging to the Profit and Loss Account. Since, no part of the above expenditure is related to the construction of projects, its capitalization does not conform to the established accounting principles, which has resulted in overstatement of Profit and IEDC by Rs. 57.97 lakh.

The publicity expenses of Rs. 1.09 crore incurred by the Corporate Centre forming part of the common expenditure is allocated as per the accounting policy of the Company.

C. Notes on Accounts (Schedule 18)

(i) Note No. 15

Consequent upon the enactment and coming into force of Electricity Act, 2003, with effect from 10.06.2003, three old electricity laws, namely, the Electricity Act, 1910, the Electricity (Supply) act, 1948 and the Electricity Regulatory Commissions Act, 1998 have been repealed. The Electricity Act, 2003 does not contain any provision regarding rates of depreciation to be followed by the generating/transmission companies for the purpose of preparation of their annual accounts. In the absence of this, the Company has continued to follow the rates of depreciation for preparation of its accounts for the year ended 31st March, 2004 as notified by the Central Electricity Regulatory Commission (CERC) in March, 2001 for the purpose of determination of tariff.

Depreciation has been charged as per the rates notified by Central Electricity Regulatory Commission based on technical assessment of useful life of assets. This policy is as per the provisions of Accounting Standard-6.

However, the matter has been referred by Audit to Govt. of India for clarification on the above issue. The decision of Govt. of India in this regard will be noted for future compliance.

**COMMENTS OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA**

MANAGEMENT REPLY

The matter has been referred to the Government of India for clarification regarding applicability of rates of depreciation to be charged in the books of accounts.

(ii) During the year the Company revised the Transmission System Incentive Scheme with effect from April, 2000 and paid Rs. 28.38 crore to its employees as incentive. Out of this, a sum of Rs. 23.08 crore relates to the previous period from April, 2000 to March, 2003, which has not been disclosed in terms of AS 5.

(iii) A reference is invited to note no. 7 (a) (iii), which states that balances in Sundry Debtors are reconciled except in some cases. In fact, out of total sundry debtors of Rs. 485.40 crore, debtors of Rs. 215.26 crore, which is 44.35 *per cent*, were not reconciled as on 31 March, 2004.

(iv) Following information relating to contracts being executed by the Eastern Region of the Company have not been disclosed as required by AS 7;

The aggregate amount of costs incurred up to the reporting date - Rs. 2.81 crore

The amount of advances received - Rs.189.70 crore

There is no provision in the AS-5 which requires that expenditure relating to previous years should be separately disclosed. The Accounting Standard requires only disclosure of extraordinary items and prior period items due to error and omission. The expenditure on account of transmission incentive does not relate to any of the nature of the categories indicated in AS-5. As such, the disclosure is not necessary.

The amount relates to DVB/DESU and Jharkhand State Electricity Board (JSEB).

In respect of Debtors of DVB/DESU, reconciliation has been done upto 30th June, 2004.

Regarding Jharkhand State Electricity Board (JSEB), Rs. 85.71 crore as included in Audit comments pertains to the period prior to 30th September, 2001 (Securitisation Date) transferred from Bihar State Electricity Board (BSEB). Though, this amount is already reconciled with BSEB, it has been disputed by JSEB due to non-agreement on assets liability division ratio between the two states. The matter is being pursued through Ministry.

Noted.

The amount of advance received Rs. 189.70 crores as pointed out by audit is included in Advance from Customers of Rs. 576.13 crore as disclosed in Schedule 9 of the Balance Sheet.

For and on behalf of the Board

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

Sd /-
(R.P. Singh)
Chairman & Managing Director
Power Grid Corporation of India Ltd.,
New Delhi-110016.

Place : New Delhi.
Date : 16th September, 2004.

Place : New Delhi.
Date : 28th September, 2004.

**REVIEW OF ACCOUNTS OF POWER GRID CORPORATION OF INDIA LIMITED , NEW DELHI
FOR THE YEAR ENDED 31ST MARCH 2004 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 :

	(Rs. in Crores)		
	2001-2002	2002-2003	2003-2004
LIABILITIES			
a) Paid up capital			
Govt. (including share application money pending allotment)	3067.81	3074.06	3074.06
b) Reserves and Surplus			
i) Free Reserves and Surplus	3695.02	4246.11	4867.49
ii) Share Premium Account	-	-	-
iii) Capital Reserves	346.98	447.26	586.74
c) Borrowing from :			
i) Government of India	1772.43	1659.97	72.11
ii) Financial Institutions	254.49	247.93	897.40
iii) Foreign currency loans	3953.16	4815.71	5188.75
iv) Cash credit			
v) Others	3943.43	4719.67	6108.12
vi) Interest accrued and due			
d) i) Current Liabilities and Provisions	1740.45	1607.31	2597.84
ii) Provision for Gratuity			
e) Deferred tax liability	194.03	232.86	182.31
TOTAL	18967.80	21050.88	23574.82
ASSETS			
f) Gross Block	13776.79	18943.30	19876.23
g) Less: Depreciation	3870.90	4344.56	4992.40
h) Net Block	9905.89	14598.74	14883.83
i) Capital Work-in-Progress & Construction Stores and Advances	5874.98	2592.58	3876.06
j) Investments	739.03	739.08	1851.13
k) Current Assets, Loans and Advances	2442.18	3112.73	2924.80
l) Deferred tax assets			
m) Misc expenditure not written off	5.72	7.75	39.00
n) Accumulated loss			
TOTAL	18967.80	21050.88	23574.82
o) Working Capital (k-d(i)-c(vi))	701.73	1505.42	326.96
p) Capital employed (h+o)	10607.62	16104.16	15210.79
q) Net worth (a+b(i)+b(ii)-n-m)	6757.11	7312.42	7902.55
r) Net worth Per Rupee of Paid-up Capital (in Rupees)	2.20	2.38	2.57

2 SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs. 3480.52crores from internal and external sources were realised and utilised during the year as detailed below :

	(Rs. in Crores)	
	Amount	Amount
SOURCES OF FUNDS		
a) Funds from operation		
Profit after tax	748.20	
Add : Depreciation	647.84	
Add: Misc. expenses written off	13.85	
Add: Net increase in Insurance Reserve	14.20	1424.09
b) Increase in borrowed funds		823.10
c) Proceeds from Grants		50.19
d) Decrease in working capital (excluding proposed dividend)		1093.85
e) Increase in Development Surcharge		195.23
TOTAL		3586.46
UTILISATION OF FUNDS		
a) Increase in fixed assets		932.93
b) Grant utilised		87.88
c) Dividend paid		56.41
d) Increase in misc. exp.		45.10
e) Increase in investments		1112.05
f) Deferred Tax		50.55
g) Increase in construction stores & Advances		744.33
h) Decrease in Capital Reserve		18.06
i) Increase in Capital Work in Progress		539.15
TOTAL		3586.46

3 WORKING RESULTS

The working results of the Company for the last three years ending 31st March, 2004 are given below :

(Rupees in Crores)

	2001-2002	2002-2003	2003-2004
i) Sales	2251.89	2103.00	2400.58
ii) Other income	203.63	429.74	404.84
iii) Profit before tax and prior period adjustment	809.17	765.65	756.30
iv) Prior Period adjustment	-13.92	-13.81	-42.01
v) Profit before tax	795.25	751.84	714.29
vi) Provision for tax(including deferred tax)	106.63	109.25	-33.91
vii) Profit after tax	688.62	642.59	748.20
viii) Proposed dividend plus dividend tax	50.66	56.41	141.02

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, 2004 are as under :

	2001-2002	2002-2003	2003-2004
A. Liquidity ratio			
Current Ratio(k/d(i)+c(vi))	1.40	1.94	1.13
B. Debt Equity ratio			
Long terms debt to equity (c (i to v) but excl. short terms loans/q)	1.47	1.56	1.55
C Profitability Ratios			
a) Profit before tax to (percentage)			
i) Capital Employed	7.50	4.68	4.70
ii) Net worth	11.77	10.28	9.04
iii) Sales (incl. Excise duty)	35.31	35.75	29.75
b) Profit after tax to equity (percentage)	22.45	20.90	24.34
c) Earning per share (in Rupees)	224.46	209.04	243.39

5 INVENTORY LEVELS

The inventory levels at the close of the last three years ending 31st March, 2004 are as under :

	2001-2002	2002-2003	2003-2004
Stores and spares and Loose tools (Gross)	170.68	160.69	196.99

6 SUNDRY DEBTORS

The Sundry debtors and Sales in the last three years ending 31st March, 2004 are as follows:

Sundry Debtors					
As on 31st March of	Considered good	Considered doubtful	Total	Sales	% of Sundry Debtors to sales
2002	1605.47	21.71	1627.18	2251.89	72.26
2003	1645.01	138.20	1783.21	2103.00	84.79
2004	485.40	39.29	524.69	2400.58	21.86

The agewise breakup of Sundry Debtors at the end of 2003-2004 is as under :
(Rupees in crores)

Debtors outstanding for	
Less than six months	124.73
6 months to 1 year	124.69
1 year to 3 years	250.81
More than 3 years	24.46
Total	524.69

Place: New Delhi
Date : 16th September, 2004

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

The Corporate Governance of POWERGRID is geared by the following:

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

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

Management Discussion and Analysis is Annexed to Directors' Report.

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

Board of Directors:

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

Name of the Director	Tenure	Category of Directorship	No. of other Directorships	No. of other Committee Membership	
				Chairman	Member
Shri R. P. Singh, CMD	Till date.	'Executive Director'	One	One	One
Dr. V.K. Garg, Director (Finance)	Till date.	'Executive Director'	One	Nil	Nil
Shri S.C. Misra, Director (Projects)	Till date.	'Executive Director'	Nil	*One	*One
Shri U.C. Misra, Director (Personnel)	Till date.	'Executive Director'	Nil	Nil	Nil
Shri Bhanu Bhushan, Director (Operations)	Ceased to be Director on 03.02.2004	'Executive Director'	Nil	Nil	Nil
Shri M. Sahoo, JS&FA, Ministry of Power	Till date	'Non-Executive Director'	five	*Two	*Six
Shri Gireesh B. Pradhan	Joined Board on 27.11.2003.	'Non-Executive Director'	One	Nil	Nil
Shri Shashi Shekhar, Jt. Secy; Ministry of Power	Appointed on 17.06.2003 and ceased to be Director on 06.10.2003.	'Non-Executive Director'	-	-	-
Shri A.K. Kutty Jt. Secy; Ministry of Power	ceased to be Director on 17.06.2003	'Non-Executive Director'	-	-	-

* Inclusive of Membership of Committee in POWERGRID.

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

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

Shri J.Haque has been appointed as Director (Operations) of POWERGRID on 16.09.2004.

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, 13 Board meetings were held on 1st April, 7th April, 10th April, 30th April, 27th June, 30th July, 29th September, 28th October, 4th December of the year 2003 and 2nd January, 30th January, 4th March & 23rd March of the year 2004.

Attendance:

Name	Board Meetings during tenure		Attendance at the Last AGM (held on 29.09.03)
	held	attended	
Shri R.P. Singh, CMD	13	13	Yes
Dr. V.K. Garg, Director (Finance)	13	12	Yes
Shri S.C. Misra, Director (Projects)	13	11	Yes
Shri U.C. Misra, Director (Personnel)	13	10	-
Shri Bhanu Bhushan, Director (Operations)	11	10	Yes
Shri M. Sahoo, JS&FA, MOP	13	13	Yes
** Shri G.B. Pradhan, JS, MOP	05	05	-
*Shri A.K. Kutty, Jt. Secy. MOP	04	04	-
Shri Shashi Shekhar, Jt. Secy. MOP	03	03	Yes

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

** Appointed as Director after 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 remuneration paid to the Directors during the year 2003-04 is as under:

S No.	Directors	Remuneration (In Lacs)
1.	Shri R.P. Singh, Chairman & Managing Director	10.86
2.	Dr. V.K. Garg, Director	8.56
3.	Shri S.C. Misra, Director	10.48
4.	Shri U.C. Misra, Director	11.17
5.	Shri Bhanu Bhushan, Director	13.11

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

Audit Committee:

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

- (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 an auditors' resignation or dismissal.
- (c) Reviewing the annual financial statements before submission to the Board and to review the quarterly, half yearly results, focusing primarily on:
 - i) Any changes in accounting policies and practices,
 - ii) Major accounting entries based on exercise of 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 CAG 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.

Composition of Audit Committee during the F.Y. 2003-04:

*Shri S.C. Misra	Chairman	Executive Director	till date
Shri M. Sahoo, JS&FA, MOP	Member	Non-Executive Director	till date
Shri Gireesh B. Pradhan	Member	Non-Executive Director	till date
Shri Bhanu Bhushan, Director (Opers.)	Chairman	Executive Director	Ceased to be Member on 03.02.2004
Shri A.K. Kutty, Jt. Secy., MOP	Member	Non-Executive Director	Ceased to be Member on 17.06.2003
Shri Shashi Shekhar, Jt. Secy., MOP	Member	Non-Executive Director	Ceased to be Member on 06.10.2003

* appointed as member of Audit Committee on 4th March, 2004 and Chairman of the Audit Committee on 18th March, 2004.

Present composition of the Audit Committee:

**Shri S.C. Misra, Director (Projects)	Chairman	Executive Director
Shri M. Sahoo, JS&FA, MOP	Member	Non-Executive Director
*Shri Gireesh B. Pradhan, Jt. Secy., MOP	Member	Non-Executive Director

*Appointed as a Member of Audit Committee on 4th December, 2003, ** Joined Audit Committee as a Member on 4th March, 2004 and Chairman of the Committee on 18th March, 2004.

Attendance:

During the financial year ended, 31st March, 2004, seven meetings of the Audit committee were held on 30th April, 26th June, 30th July, 29th September, 28th October of the year 2003 and 30th January & 18th March of the year 2004.

The Committee also met for the finalization of the Annual Accounts for the Year ended 31st March, 2004.

Attendance at Audit Committee Meetings during the preceding Financial Year:

Name	Audit Committee Meetings during tenure	
	held	Attended
@ Shri S.C. Misra, Director (Projects)	1	1
Shri M. Sahoo, JS&FA, MOP	7	7
\$ Shri Gireesh B. Pradhan, Jt. Secy., MOP	2	2
£ Shri Bhanu Bhushan, Director (Operations)	6	6
***Shri A.K. Kutty, Jt. Secy. MOP	1	1
**Shri Shashi Shekhar, Jt. Secy., MOP	3	3
*Dr. V.K. Garg, Director (Finance)	7	7

*Attended as a special invitee, ** Cease to be Director w.e.f. 06.10.2003, *** Cease to be Director w.e.f. 17.06.2003, @ appointed as member of Audit Committee on 4th March, 2004 and Chairman of the Committee on 18th March, 2004, \$ appointed as Member of the Committee on 04.12.2003, £ ceased to be Director w.e.f. 03.02.2004.

General Body Meetings:

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

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

Date of payment of Dividend for the Financial year 2002-2003 :

27th October, 2003.

Committee of Bonds:

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, 2004 there were no investor grievances remaining unattended/pending for more than 30 days.

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.

From 1st April, 2004

**MCS Limited,
Srivenkatesh Bhavan,
W-40, Okhla Industrial Area,
Phase-II, New Delhi- 110 020.
Ph. 26384909, 10/11/14, Fax.: 26384907.**

Upto 31st March, 2004

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 CDSL for Allotment of Bonds in electronic form. All the Existing Bond-holders also have the option of holding their Securities in electronic form.

Bondholders holding Bonds in electronic form may please note that:

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

Means of Communication:

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

**Address of correspondence:
(Corporate Office)**

**The Company Secretary,
‘Saudamini’, Plot No: 2, Sector-29,
Near IFFCO Chowk, Gurgaon-122 001. (Haryana).
Telephone Nos. 0124-2571700-19.**

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 Auditors’ Certificate on compliance of Clause 49 of the Listing Agreement is being published as an annexure to the Directors’ Report.

**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 ending 31st March, 2004, 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 the 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 Company had only two non-executive Directors and the Audit Committee comprised of three Directors, two being non-executive and one Executive Director whereas para requires that all the members should be non-executive Directors. The meetings of the Audit Committee was chaired by Executive Director.

(iii) As regard para (C) of part VI of Clause 49 of the Listing Agreement, the Company is yet to constitute Shareholder/Investors Grievance Committee. The Company is 100% owned by Govt. of India. As informed by the management, there were no investor grievances remaining un attended/pending for more than 30 days, as on 31st March, 2004.
5. As required by the Guidance Note issued by the Institute of Chartered Accountants of India, the company has constituted a Committee of Board of Directors for Bonds who look after the post allotment activities including investor grievance.
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 O.P. Bagla & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

For B.M. Chatrath & Co.
Chartered Accountants

(P.R. Paul)
Partner

For Veerabhadra Rao & Co.
Chartered Accountants

(K. Ramachandra Murthy)
Partner

Date : 28th September, 2004
Place : New Delhi

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 Manufacturers 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 2003-04.

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 deprecation 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.

CURRENT COST BALANCE SHEET AS AT 31ST MARCH, 2004

		(Rs. in Lacs)	
		As at 31st March, 2004	As at 31st March, 2003
NET ASSETS EMPLOYED			
Gross Block	3146073		2741535
Less: Accumulated Depreciation	846361		684383
Net Block	<u> </u>	2299712	2057152
Capital Work-in-Progress		323223	243283
Construction Stores and Advances		173137	91304
Investments		185113	73908
NET CURRENT ASSETS			
Inventories	20424		16349
Other Current Assets	272794		295204
	<u> </u>		<u> </u>
		293218	311553
Less: Current Liabilities and Provisions	278015		184017
		<u> </u>	<u> </u>
		15203	127536
Miscellaneous Expenditure (to the extent not written off or adjusted)		3900	775
		<u> </u>	<u> </u>
		3000288	2593958
FINANCED BY			
SHAREHOLDERS FUNDS			
Share Capital	307406		307406
Current Cost Reserve	943024		685382
Other Reserves and Surplus	523220		456842
	<u> </u>	1773650	1449630
LOAN FUNDS			
Secured Loans	758,697		663108
Unsecured Loans	467,941		481220
	<u> </u>	1226638	1144328
		<u> </u>	<u> </u>
		3000288	2593958

CURRENT COST PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2004

		(Rs. in Lacs)	
		For the year ended 31st March, 2004	For the year ended 31st March, 2003
Profit before Interest and Finance charges and Taxation (On Historical Cost basis)	170525		145225
Less: Depreciation Adjustment	34416		20009
	<u> </u>		<u> </u>
Current Cost operating Profit	136109		125216
Add: Gearing Adjustment	12213		7514
	<u> </u>	148322	132730
Less: Interest and Finance Charges	99096		70041
Provision for Taxation	-3391		10925
	<u> </u>	95705	80966
Current Cost Profit Attributable to Shareholders		<u> </u>	<u> </u>
		52617	51764

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2004

	(Rupees in crores)	
	For the year ended March 31, 2004	For the year ended March 31, 2003
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	714.29	751.84
Adjustment for :		
Depreciation	606.32	471.63
Transfer from Grants in Aid	-16.31	-11.56
Amortised Expenditure(DRE written off)	13.85	1.11
Provisions	-154.91	139.57
Self Insurance	14.20	14.91
Interest	990.96	700.41
Interest earned on bonds	-265.07	-84.16
Dividend received		-1.58
Operating profit before Working Capital Changes	1903.33	1982.17
Adjustment for :		
Trade and other Receivables	1445.08	-104.10
Inventories	-36.16	9.99
Trade payables and other liabilities	703.07	-261.24
Other current assets	-78.42	-46.45
Loans and Advances	-154.38	72.13
Deferred Revenue Expenditure	-2.63	-3.14
	1876.56	-332.81
Interest paid		-0.14
Direct taxes paid	-27.00	-67.90
Net Cash from operating activities	3752.89	1581.32
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets	-933.88	-179.48
Capital work in progress	-539.15	-3046.08
Advance for Capital expenditure	-744.25	1343.32
Investments	-1047.79	-0.05
Investments in Joint Venture	-64.26	
Lease Receivables	3.41	-699.48
Interest earned on bonds	265.07	84.16
Dividend received		1.58
Net cash used in investing activities	-3060.85	-2496.03
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital		6.25
Loans raised during the year	3274.13	2642.61
Loans repaid during the year	-2451.03	-1122.84
Development surcharge received	195.23	
Interest Paid	-990.96	-700.27
Dividend paid	-56.41	-100.66
Adjustment of grant	-71.57	
Proceeds from Grants in Aid	50.19	111.84
Net Cash from Financing Activities	-50.42	836.93
D. Net change in Cash and Cash equivalents (A+B+C)	641.62	-77.78
E. Cash and Cash equivalents (Opening balance)	147.36	225.14
F. Cash and Cash equivalents (Closing balance)	788.98	147.36

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 and includes Rs.8.33 crores not available for use by the Company.

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 O.P. Bagla & Co.
Chartered Accountants

For B.M. Chatrath & Co.
Chartered Accountants

For Veerabhadra Rao & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

(P.R. Paul)
Partner

(K. Ramachandra Murthy)
Partner

Place: New Delhi
Date: 6th July, 2004

AUDITORS' CERTIFICATE

To,

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

We have examined the attached Cash Flow Statement of Power Grid Corporation of India Limited, for the period ended March 31, 2004. 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 6th July, 2004 to the Members of the Company.

For O.P. Bagla & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

For B.M. Chatrath & Co.
Chartered Accountants

(P.R. Raul)
Partner

For Veerabhadra Rao & Co.
Chartered Accountants

(K. Ramachandra Murthy)
Partner

Place : New Delhi
Date : 6th July, 2004

BINA DEHGAM TRANSMISSION COMPANY LIMITED
(Regd. Off; B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi)

DIRECTORS' REPORT

To,

The Members,

I, on behalf of the Board of Directors, present the second Directors' Report of BINA DEHGAM TRANSMISSION COMPANY LIMITED together with the audited Statement of Accounts for the financial year 2003-04.

POWERGRID, the Promoter Company had floated the Company with an intent to explore the prospect of constructing transmission lines through IPTC Route on Build, Own, Operate & Transfer (BOOT) basis. The Company had been incorporated on 2nd September, 2002.

Status of the grant of license by CERC

POWERGRID, the Promoter Company, started the selection process for sponsor for the IPTC route Project during February, 2001 by adopting two stage selection process. POWERGRID had issued 'Request for Qualification' document (RfQ) to 15 Parties. Out of 15 Parties, six parties had submitted the Qualification statement. Based on the qualification requirements of the RfQ document, four parties were short listed for issue of 'Request for Proposal' document (RfP). In response, only one Party i.e. Consortium of Tenaga Nasional Berhad, Malaysia (TNB) and Kalpataru Power Transmission Ltd., India named as 'TNB-KPTL Consortium' submitted Techno-Commercial & Tariff Proposal. POWERGRID proceeded further with the evaluation of the proposal submitted by the Consortium.

Meanwhile, Electricity Act 2003 came into being from 2003. As per the provisions of Act, any person desirous of undertaking transmission of electricity is at liberty to file an appropriate application with CERC for grant of "Transmission License". Accordingly, Consortium applied for Transmission License to CERC on 5.12.2003 and submitted a copy of their application to POWERGRID also. As per the Act, POWERGRID, in its capacity as CTU, was required to submit its recommendations, if any, to CERC. POWERGRID submitted its recommendations to CERC on 02.01.2004. Hearings were held on the Transmission License application of Consortium and CERC finally issued an Order dtd. 27.04.2004. CERC rejected the application of grant Transmission License to TNB-KPTL Consortium. CERC concluded that the implementation of the Project by TNB-KPTL Consortium would not be beneficial to the end consumer as the tariff being asked is very high.

Board of Directors

S/Shri J. Sridharan, Executive Director, POWERGRID, Anand Mohan, Executive Director, POWERGRID and Ashwani Jain, Additional General manager, POWERGRID were the Directors of the Company during the year 2003-04.

Auditors

M/s. Tiwari & Associates, Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the company for the year 2003-2004.

Auditor's Report

The Auditors' Report to the shareholders does not contain any qualifications. Further, Comptroller and Auditor General of India has decided not to review the report of the Auditors on the accounts of the company and MAB-III has informed that as such C&AG has no comments under Section 619(4) of the Companies Act 1956.

Directors' Responsibility Statement

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

- i) that in the preparation of the annual accounts for the year ended 31st March, 2004 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, 2004 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.

Sd/-
(J. Sridharan)
Chairman

Date: 26th August, 2004.

Place: New Delhi.

BINA DEHGAM TRANSMISSION COMPANY LIMITED
BALANCE SHEET AS AT 31st MARCH 2004

(Amount in Rs.)

	Schedule	As at 31st March, 2004	As at 31st March, 2003
I. SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	500000	500000
TOTAL		<u>500000</u>	<u>500000</u>
II. APPLICATION OF FUNDS			
Current Assets, Loans and Advances			
Current Assets			
Cash & Bank Balances	2	500000	500000
Less : Current Liabilities & Provisions			
Current Liabilities	3	<u>49565</u>	<u>37500</u>
Net Current Assets		<u>450435</u>	<u>462500</u>
Miscellaneous Expenditure			
(To the extent not written off or adjusted)	4	49565	37500
TOTAL		<u>500000</u>	<u>500000</u>

Significant Accounting Policies and Notes
forming part of Accounts

5

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

As per our separate Report of even date

For **Tiwari & Associates**
Chartered Accountants

For and on behalf of Board of Directors

(Krishan Kumar)
Partner

(J. Sridharan)
Director

(Anand Mohan)
Director

Place : New Delhi.
Dated : 30.06.2004.

BINA DEHGAM TRANSMISSION COMPANY LIMITED
SCHEDULES-FORMING PART OF ACCOUNTS

(Amount in Rs.)

	As at 31st March, 2004	As at 31st March, 2003
SCHEDULE '1'		
SHARE CAPITAL		
Authorised		
50,000 equity shares of Rs. 10/- each	<u>500000</u>	<u>500000</u>
Issued, Subscribed & Paid-up		
50,000 equity shares of Rs. 10/- each fully paid up.	<u>500000</u>	<u>500000</u>
SCHEDULE '2'		
CURRENT ASSETS, LOANS & ADVANCES		
Current Assets		
Cash & Bank Balances		
Balance with Scheduled Bank- in Current Account	<u>500000</u>	<u>500000</u>
	<u>500000</u>	<u>500000</u>
SCHEDULE '3'		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Power Grid Corp. of India Ltd.	38765	26700
Other Liabilities (Audit Fees 2003-04)	<u>10800</u>	<u>10800</u>
	<u>49565</u>	<u>37500</u>
SCHEDULE '4'		
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenses		
	26700	26700
Pre-operative Exp.		
Balance as at 31.03.03	10800	
Allocation during the year	<u>12065</u>	<u>10800</u>
	<u>49565</u>	<u>37500</u>

BINA DEHGAM TRANSMISSION COMPANY LIMITED

SCHEDULES - FORMING PART OF ACCOUNTS

SCHEDULE '5'

A) SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Preparation of Financial Statements

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

B) NOTES FORMING PART OF ACCOUNTS

1. The company was incorporated on 2nd September, 2002 and certificate of commencement of business has not been obtained so far. As there was no commercial activities during the year, no profit and loss account has been prepared.
2. The expenditure incurred during the year Rs. 12065/- has been allocated to Pre-operative Expenditure shown under the head "Misc. Expenditure".
3. There are no contingent liabilities.
4. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our separate Report of even date

For **Tiwari & Associates**
Chartered Accountants

(Krishan Kumar)
Partner

For and on behalf of Board of Directors

(J. Sridharan)
Director

(Anand Mohan)
Director

Place : New Delhi.
Dated : 30.06.2004.

AUDITOR'S REPORT

We have audited the attached Balance Sheet of Bina Dehgam Transmission Company Limited as at 31st March 2004. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (hereinafter referred to as the Act), we enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report as under :
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet is in agreement with the books of account;
 - d. In our opinion, the said Balance Sheet has been prepared in Compliance with the accounting standards as prescribed under the provisions of Section 211 (3C) of the Act to the extent applicable;
 - e. On the basis of written representations received from the Directors as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed as a Director of the Company in terms of Section 274 (1) (g) of the Act;
 - f. In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with the Significant Accounting Policies and Notes Forming part of Accounts in Schedule 5 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

In the case of the Balance Sheet, of the state of the Company's affairs as at 31st March 2004.

For **Tiwari & Associates**
Chartered Accountants

Place : New Delhi
Dated : 30.06.2004.

(Krishan Kumar)
Partner

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Auditor's report of even date on the accounts of Bina Dehgam Transmission Company Limited for the year ended 31st March, 2004

1. The company does not own any Fixed Assets.
2. The company does not have inventory.
3. (a) The company has not taken/granted any loans, secured or unsecured from/to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
(b) The company has not taken/granted any loans and advances in the nature of loans.
4. No internal control procedures are required in absence of any commercial transactions. Certificate of commencement of business is yet to be obtained by the company.
5. There are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
6. The Company has not accepted any deposit under the provisions of Section 58A and 58AA of the Companies Act, 1956.
7. The Company was not required to have an internal audit system.
8. The department of Company affairs has prescribed maintenance of cost accounting records under section 209(1)(d) of the Companies Act, 1956. However, cost accounts have not been prepared since there is no commercial activity during the year.
9. (a) The provisions of Provident Fund and Employees State Insurance Scheme are not applicable to the company.
(b) There were no undisputed amounts in respect of Income Tax, Wealth Tax, Sales Tax, Custom Duty and Excise Duty outstanding as at 31st March, 2004 for a period of more than six months from the date they become payable.
10. Since, the company is less than 5 years old, this clause does not apply.
11. Since, the company does not have any borrowings, this clause does not apply.
12. Since, the company has not granted any loans or advances, this clause does not apply.
13. This clause does not apply to the company.
14. This clause does not apply to the company.
15. This clause does not apply to the company.
16. This clause does not apply to the company.
17. This clause does not apply to the company.
18. This clause does not apply to the company.
19. This clause does not apply to the company.
20. This clause does not apply to the company.
21. This clause does not apply to the company.
22. The company is not a sick industrial company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

For **Tiwari & Associates**
Chartered Accountants

Place : New Delhi
Dated : 30.06.2004.

(Krishan Kumar)
Partner

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956, ON THE ACCOUNTS OF BINA DEHGAM TRANSMISSION COMPANY LIMITED NEW DELHI FOR THE YEAR ENDED 31ST MARCH, 2004

The Comptroller and Auditor General of India has decided not to review the report of the Auditors on the accounts of Bina Dehgam Transmission Company Limited, New Delhi, for the year ended 31 March, 2004 and as such he had no comments to make under Section 619(4) of the Companies Act, 1956.

Place: New Delhi
Dated: 6th August, 2004

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