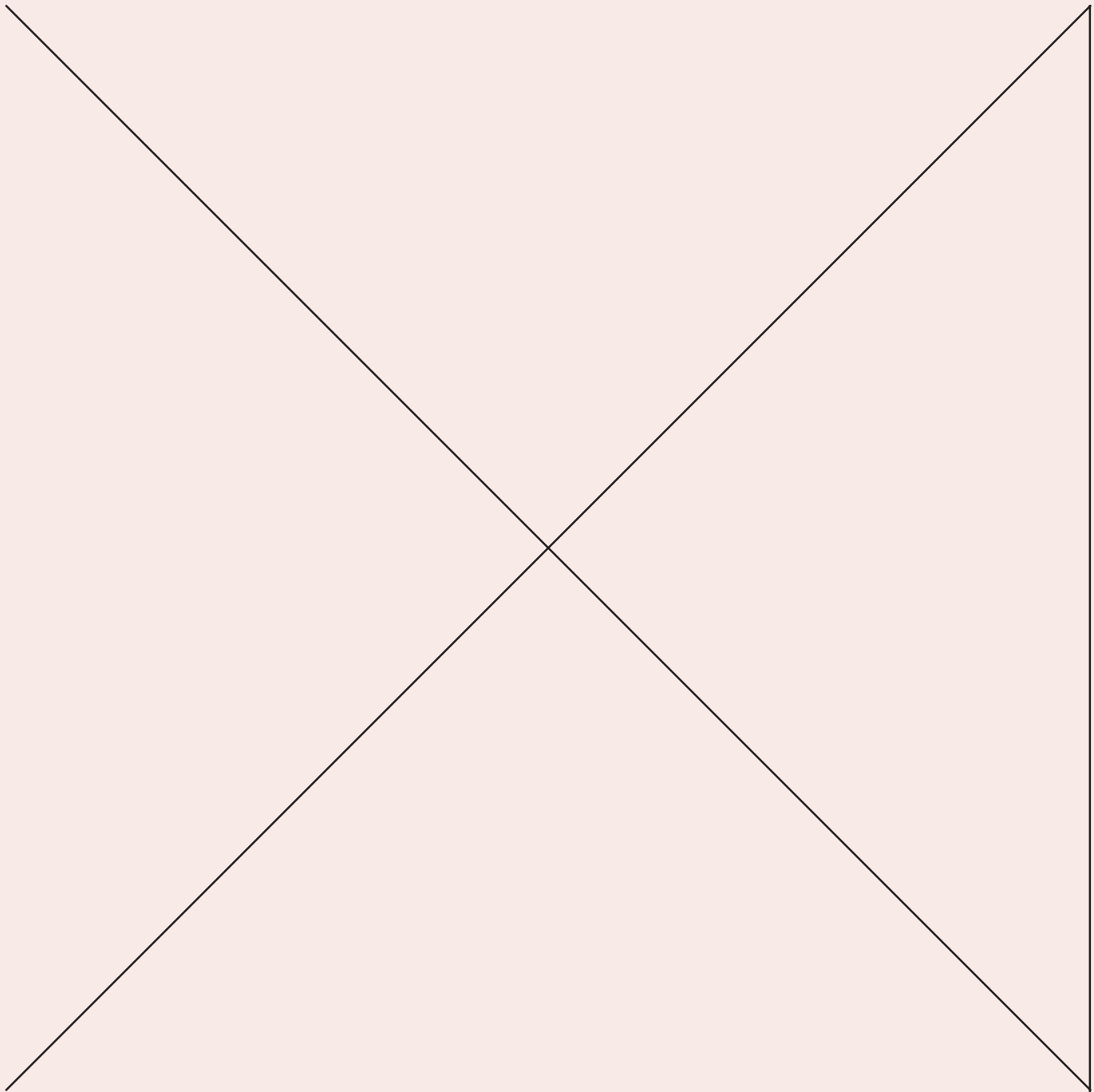


Bonding the Nation
Transmitting Happiness.





ANNUAL REPORT
2004-2005



Integrated Management Policy

POWERGRID is committed to:

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

Bonding the Nation
Transmitting Happiness.



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Mission

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

Objectives

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

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





PowerTel

Touching lives everywhere

Diversified into telecommunication to mobilise additional resources to establish much needed

National Grid.

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



Ahmedabad, Indore, Jaipur, Lucknow, Chandigarh, Varanasi, Jamshedpur, Patna, Bhubneshwar etc.

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





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Board of Directors



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

*“ We are constantly engaged in the task of
translating challenges into opportunities. ”*



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



Shri J. Haque
Director (Operations)
Since 16.09.2004



Shri S. Majumdar
Director (Projects)
Since 27.09.2005



Shri 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 S.C. Misra
Director (Projects)
From 01.09.2001 to 28.02.2005



Shri V.K. Garg
Director (Finance)
From 17.09.1997 to 11.05.2005

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. Natraja Iyer & Co.
1-10-126, Ashok Nagar,
Hyderabad-500 020

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

Bankers

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



ANNUAL REPORT
2004-2005

Chairman Speaks



at the
16th Annual General Meeting
held at New Delhi
on 16th Sept., 2005.

Dear Shareholders,

Welcome to the 16th Annual General Meeting of your Company.

Power is one of the basic inputs for sustained economic growth. It is also at the heart of our daily living. The Government of India has, therefore, accorded high priority to the power sector through both legislations and policy interventions to usher in major reforms.

Transmission is a vital link in the power supply chain. I am happy to inform that your company has discharged its role successfully by undertaking coordinated development of power transmission network along with effective and transparent operation of the grid with

desired stability, reliability and availability; despite a continuing gap in supply & demand.

PHENOMENAL GAINS THROUGH INTER-REGIONAL EXCHANGE

In the year 2004-05, POWERGRID facilitated an exchange of 31,000 million units of electricity across the regions through the National Grid. This grid has a 9,500 MW inter-regional power transfer capacity as on date. Broadly speaking this translates to a deferred investment of Rs. 24,000 Crore, equivalent to setting up power generation capacity of 6,000 MW and a net saving of Rs. 1,550 Crore on account of cheaper cost of power.

The phenomenal benefit of inter-regional exchange of power in terms of economic gain has changed the thinking on advance creation of strong transmission network including robust inter-regional links. Requests are pouring in from all stakeholders for early creation

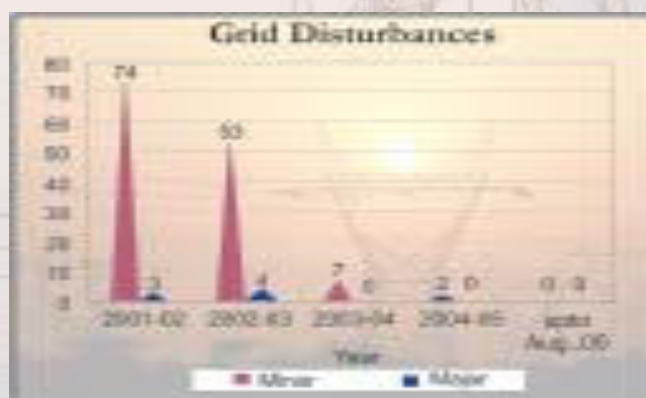


of inter-regional links. In keeping with our proactive tradition, we have responded positively and plan to raise the inter-regional exchange capacity from the earlier plan target of 30,000 MW to 37,000 MW by year 2012.

The Planning Commission in its Mid-Term Appraisal Report of X plan, has lauded the performance of POWERGRID in creating evacuation facilities and laying down the base for the National Grid and also noted that creation of such inter-regional transfer capacity augurs well for both system operation as well as promoting trading and open access. Your Company, once again, proves itself as being *primus inter pares* - first amongst equals.

TRANSPARENCY IN SYSTEM OPERATION

We carry about 40 to 45% of generated power across the country. Carrying such a huge quantum of power warrants effective and transparent grid operation. This has been amply demonstrated by your company through successfully providing Open Access with the assistance of state-of-the-art Load Despatch Centres manned by well trained personnel. I re-affirm our commitment to



carry forward our motto of absolute transparency coupled with economy and efficiency in grid expansion & operation.

Modernization of Regional Load Despatch Centres along with State / Sub-State Load Despatch Centres and dedicated communication schemes have been successfully completed. These centres have become an epitome of technological excellence in grid operation through three tier hierarchical system, a unique feature in grid operation in the world. Visitors from not only our own country but also from across the globe have lauded your company's efforts in setting up such complex projects well within time & cost. The fourth tier in the hierarchy viz. the National Load Despatch Centre is in construction phase and would be completed in next 2 to 3 years.

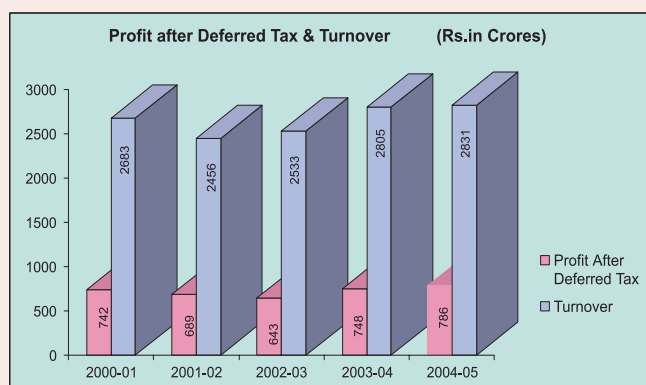
I feel honoured in sharing with you the fact that during last three (3) years, the Indian regional grids did not face any major grid collapses. Minor grid collapses had been reduced to mere handful. In contrast, it is observed that there is a rising trend of grid collapses/disturbances at the international level. Our standard of grid operation, its growth including technology upgradation / adoption have been appreciated around the globe. POWERGRID holds its head & shoulders above its peers in this regard.

COMMERCIAL / FINANCIAL PERFORMANCE

We are a regulated utility. Therefore, our turnover and profit is subjected to regulatory risks. Our turnover & profit for the last two years have not been commensurate with the growth in transmission capacity



due to change in regulatory norms. I am happy to report that despite handicaps, our turnover and profits are Rs. 2,831 Crore & Rs. 786 Crore respectively, which both are higher than last year.



To improve our income and profit margin, we are making concerted move to take up other kind of synergetic business ventures such as National & International level Consultancy assignments in Transmission, Distribution and Telecom Sectors. Our telecom business is now looking up. I am happy to inform that in the recent rains in Western Region, when most modes of communication failed, ours was fully available.

CARING FOR THE NATURE

POWERGRID is in the process of deploying front-end



technologies and solutions to mitigate environmental & social issues relating to its activities. Through adoption of latest technologies and up-to-date 'Environment

and Social Policy & Procedures', the requirement of right-of-way and land has been curtailed, thus safeguarding precious eco-sensitive zones. We have, for the first time, developed 64 mtrs. wide corridor as against general 84 mtrs. for 800 kV transmission lines in the world. This effort has been lauded by all concerned. Further, the tower height has been raised to 75 mtrs., which makes it taller than the Qutab Minar, to save our precious forests.

ETHICAL WORK CULTURE

Our transparent works & procurement policies, system of e-payment to contractors and stress on importance of values of ethics in management have brought out increased effectiveness and alertness in our working. We are also in the process of introducing the "Integrity Pact" in our contracts system taking a cue from Transparency International, after thoroughly examining our existing system through a committee headed by eminent professionals in the field of ethical business.

THE NETWORK

As on date, your company's transmission network comprises of about 54,000 ckt Kms, 89 substations with 50,530 MVA of transformation capacity having Gross asset base of Rs. 21,930 Crore. The transmission availability is well above 99.5% at par with the international standards. Presently, 42 projects with total estimated cost of Rs. 15,000 Crore involving about 20,000 ckt Kms of transmission lines along with 34 substations are under implementation.



A view of transmission network

FUTURE PLAN & PARTNERING FOR GROWTH

POWERGRID is fully geared up to implement additional 60,000 circuit kms of transmission network with capital investment of over Rs. 71,000 Crore during X & XI Five Year Plans (2002-12). Out of this, Rs. 21,000 Crore is expected to be contributed by private sector. In this direction, your Company has played a leading role in attracting private investors for investment in the transmission sector through formation of Joint Ventures. The first such joint venture between POWERGRID and TATA POWER is already implementing Transmission System associated with Tala Hydro Electric Project at an estimated cost of Rs.1600 Crore. This project is progressing satisfactorily and will be completed well ahead of scheduled commissioning of June, 2006. This has become a role model for public-private partnership. On similar lines, your Company is in the process of forming Joint Ventures with other Companies such as Reliance Energy Ltd. for Transmission System associated with Koldam & Parbati-II HEP, where POWERGRID's equity will be 26%. POWERGRID is also collaborating with private generators for building up their transmission

network, who otherwise, as per Electricity Act, 2003, could have taken up construction of the same on their own. Your Company's endeavor in this direction is in appreciation of the fact that these generating companies lack technical capabilities and expertise to take up such transmission projects. POWERGRID's stake in such ventures would be limited to 26 % of the equity. Thus, your Company would be able to deploy the balance resources to construct and expedite the National Grid. Had POWERGRID taken up such projects on its own, its resources for strengthening the National Grid would have been strained.

TECHNOLOGY - THE CUTTING EDGE

You will appreciate that for a populous and developing country like ours, a strong and reliable transmission network shall play a dominant role to deliver power at the most affordable price to the people at the farthest end. Keeping this objective in view, POWERGRID has taken steps to improve quality



A night view of POWERGRID Substation.

and consistency of power availability with reduced cost of transmission by emphasizing on application of state-of-the-art and emerging technologies. Accordingly, a two-pronged approach has been adopted i.e.



- a) Capacity enhancement of existing transmission facility through application of fixed & thyristor controlled series compensation, uprating/upgrading of transmission lines and;
- b) Building up of new transmission corridors with quad / multi circuit, extensive 800 kV AC network, ± 600 kV / ± 800 kV HVDC to address and take care of right-of-way constraints in transferring power from resource rich North Eastern / Eastern Region to far away load centres of NR & WR. Besides high temperature endurance conductor, GIS Satellite imagery for transmission line survey, substation automation etc. have also been adopted.

PARTNERING WITH NEIGHBOURS

We have always sought to encourage and increase bilateral connectivity with our neighbouring countries so that the abundant and diverse resources in the region are optimally used for mutual benefit. Through various fora like SAARC & BIMSTEC, we intend to further our efforts to take up more initiatives in partnership with our neighbouring countries.

INTERNATIONAL BUSINESS

We have successfully ventured into the international arena by taking up a transmission project in Afghanistan costing about Rs. 420 Crore. The project envisages laying a 200 Kms long 220 kV transmission line which would pass over Hindukush mountains at a height of approximately 4,000 mtrs above sea level and which is a region covered with snow for 9 months in a year.

I am confident that we will complete this project well



A view of Hindukush terrain Afghanistan.

within the schedule of 42 months. We have secured consultancy assignments in Nepal & Bhutan also against stiff competition from international consultants. We are participating in the consultancy contracts of other third world countries and hopeful of succeeding in getting a few contracts of good value.

STEPPING BEYOND ROLE

The role of POWERGRID to support State Governments/State Utilities through implementation of Urban Distribution and Rural Electrification network has resulted in POWERGRID being one of the most sought after Central Power Utility. POWERGRID today has been assigned the task of implementing high voltage distribution system spread over 76 districts in about 10 States viz. Bihar, Uttar Pradesh, Rajasthan, West Bengal, Assam, Tripura, etc. with an investment of about Rs. 3,000 Crore in a time bound manner. Besides these works, we have taken up the work of modernization of transmission and sub-transmission networks of few major States like UP, Bihar, Bengal, Orissa, Goa, NER States and others at a cost over Rs. 2,000 Crore. The confidence shown by our clients is a testimony to our professional



competence, expertise in project management and transparent process of procurement carried through utmost dedication & sincerity. I am sure with the committed work force of POWERGRID and support of the stake holders, we will take this Corporation to greater heights.

I must share with you that when POWERGRID undertook the reconstruction of transmission and distribution works in Bihar, there were general reservations as to whether we would be able to fulfill the task. I am again happy to inform that the first phase of transmission works in Bihar is almost getting completed. The APDRP and RE works are progressing satisfactorily not only in Bihar but in other States as well.

Your Company has also joined hands with Meghalaya State Electricity Board for execution of Misa-Byrnihat Transmission project through formation of Joint Venture, wherein POWERGRID would be a major partner.



A view of Rural Electrification Network.

POWERGRID - THE FORCE TO RECKON WITH

Your Company, in a short span of 12 years, has emerged as one of the largest and best managed transmission utilities in the world through continuous innovations in technical & managerial fields. It has evolved to a mentor position and is poised for sustainable growth with due regard to its social responsibilities and tenets of Corporate Governance.

ACKNOWLEDGEMENTS

I thank the dedicated Board of Directors and Government Agencies particularly Ministry of Power, Ministry of Finance, Planning Commission, Ministry of Environment & Forests, Central Electricity Authority and Central Electricity Regulatory Commission. I am also thankful to the State Government Agencies, State Utilities and Funding Agencies such as The World Bank, ADB, JBIC & domestic lending agencies etc. for their continued support. I acknowledge the dedicated and sincere efforts of my colleagues in POWERGRID.

(R.P. SINGH)

Chairman & Managing Director

Date : 16th September, 2005

Place : New Delhi



ANNUAL REPORT
2004-2005

Directors' Report

For the
16th Annual General Meeting
held on 16th September, 2005.

To,

The Members,

Ladies & Gentlemen,

It gives me immense pleasure to present on behalf of the Board of Directors, the 16th Annual Report of Power Grid Corporation of India Limited (POWERGRID), together with the Audited Statements of Accounts for the financial year 2004-05. Your Company has once again displayed its impeccable performance during the FY 2004-05 in all areas of its operations and established new benchmarks.

OPERATIONAL EXCELLENCE

Our goal is to be the world's premier network utility and aim for operational excellence surpassing efficiency benchmarks and regulatory targets. POWERGRID has evolved strong in-house expertise in all specialised areas of power transmission business with systems upto 800 kV Ultra High Voltage AC, \pm 500 kV HVDC, Gas Insulated Sub-stations, Static Var Compensation,

Series Capacitors, Flexible AC Transmission System (FACTS), Controlled Shunt Reactors, etc. At the end of financial year 2004-05, our gross fixed asset base of Rs. 21,930 Crore consists of about 51,000 circuit kms. of Extra High Voltage transmission lines, 85 Nos. of EHVAC & HVDC sub-stations with transformation capacity of about 50,000 MVA and carries about 45% of total power generated in the country. System availability has been maintained at about 99.74% during the year 2004-05 through deployment of modern Operation & Maintenance techniques at par with International standards. Company also recorded lowest ever rate of outages per line per year (3.25 against 3.95 in 2003-04).

EFFICIENT GRID MANAGEMENT

POWERGRID, in an effort to ensure delivery of quality power and to maintain effective grid discipline, implemented Availability Based Tariff (ABT) in all electrical regions of the country. Adoption of prudent operational practices, preventive maintenance, Availability Based Tariff (ABT), establishment of inter-regional links, modernization of RLDCs coupled with



Hon'ble President of India being briefed about
POWERGRID by CMD.



training and deployment of expert manpower, round the clock vigil for grid management have paid rich dividends resulting into improved grid security, safety & reliability, enhanced Inter-State and Inter-Regional power exchange, thus, meeting higher demands from existing power generating resources. With aforementioned efforts of POWERGRID, Inter-Regional energy transfer of about 31,000 MUs, worth about Rs. 6,200 Crore was facilitated during the FY 2004-05, an increase of about 40 % compared to previous year (i.e. 22,000 MUs). Such transfer has taken place mostly from generation resource rich Eastern Region to other power deficit regions.

There was no major grid disturbance in any part of the country during the last 3 years. Tripping of lines and minor grid disturbances in regional grids have also come down significantly. Further, there has been significant improvement in vital grid parameters and Frequency remained within the prescribed Indian Electricity Grid Code (IEGC) band for most of the period during the year 2004-05, signifying improvement in quality of power supply.

PROVIDING OPEN ACCESS

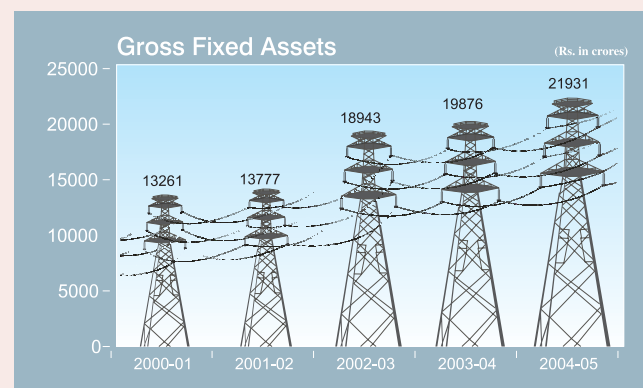
CERC has notified regulations for “Open Access” in Inter-State transmission on 6th February, 2004 and total responsibility to operationalise it was entrusted to POWERGRID. As per CERC regulations, “Short-term Open Access in Inter-State Transmission” has been successfully implemented w.e.f. May 6, 2004.

To facilitate non-discriminatory open access, POWERGRID issued procedures and guidelines including e-bidding for short-term as well as long-term

users. A total of 778 transactions were effected during 2004-05 involving a total of 16,441 MUs of energy worth about Rs. 3,250 Crore. In addition, energy worth Rs. 4,672 Crore has been transacted (both inter and intra regional) through UI mechanism of ABT as compared to Rs. 2,840 Crore during 2003-04. Thus, **POWERGRID is facilitating free flow of power across the country effectively utilising its Inter-Regional power transfer capacity of 9,500 MW, thus bringing much needed open access to reality.**

PROJECT IMPLEMENTATION

During FY 2004-05, POWERGRID commissioned about 3000 ckms. of transmission lines, 3 new substations and transformation capacity of 3000 MVA.



These helped in improving power supply situation in various regional grids, enhancing Inter-Regional power transfer capacity and improved reliability. Systems, Procedures & Practices like adoption of Integrated Project Management and Control Systems (IPMCS) for total project review, processing of procurement activity in parallel for award along with investment approval, etc. continue to contribute significantly towards



implementation of projects within stipulated time & cost.

During the year, 16 new projects worth about Rs. 6,100 Crore, involving 9,200 Ckt. Kms. of Transmission Lines, 18 new sub-stations and transformation capacity of more than 12,300 MVA were approved and taken up for implementation. **In all, about 50 transmission projects, costing about Rs. 14,000 Crore,** are currently under various stages of implementation and most of the projects are progressing either ahead of schedule or on schedule. Major systems completed and under implementation in various regions during the year are:

i) Western Region

During the year, POWERGRID established a new substation at Khandwa which shall facilitate in meeting the demand around Indore, a major load centre in M.P. and improving voltage profile for onward transmission of power to Gujarat and Maharashtra. To enable transfer of power in Western Region from first unit (540MW) of Tarapur Generation Project, Tarapur 3&4



A foundation stone laying ceremony of 400/220 kV Gwalior substation by Hon'ble Union Minister of Power Sh. P.M. Sayeed, also seen Sh. Jyotiraditya Scindia, Hon'ble M.P., Sh. R.V. Sahi, Secretary, Power, Govt. of India & Sh. R.P. Singh, CMD, POWERGRID

– Padghe 400kV D/C (one circuit) was also commissioned which helped in mitigating power shortages. To enhance power transfer capacity of existing Inter-Regional link, 40% series compensation along with TCSC was commissioned on Rourkela – Raipur D/C line, thus avoiding the need for additional transmission corridor.

Major ongoing projects are Transmission System associated with Vindhyachal-III (1000 MW), Sipat-I (1980 MW), Sipat-II (1000 MW) generation projects as well as grid strengthening schemes having an estimated cost of about Rs. 4,300 Crore, ULDC scheme in Western Region, which is last in the series of five Regional Load Dispatch Schemes, is under advance stage of implementation.

Many generation linked schemes as well as grid strengthening schemes estimated to cost about Rs. 8,500 Crore are under various stages of planning and investment approval, which would enable transfer of additional 6,500 MW of power.

ii) Northern Region

During the year 2004-05, Allahabad-Phulpur 220 kV D/C line have been completed. Allahabad-Phulpur 220 kV D/C line shall facilitate drawl of power from central sectors generation projects like Singrauli & Rihand to load centers of Uttar Pradesh. Major portion (about 1,750 Ckt Kms.) of Transmission System associated with Rihand-II has been commissioned in early 2005-06 and with this the number of EHV corridors from Rihand/ Singrauli generation complex have increased from 4 to 6 improving reliability in power



evacuation and reduced stress on Rihand-Dadri HVDC Bipole. The balance portion of Rihand-II is under advanced stage of execution.

Dhauliganga Transmission System was completed in July, 2005. For this system, final approval for wildlife sanctuary was granted in Oct., 2004 leaving only 9 months for completion of the system. Due to our collective efforts, the system has been commissioned in time to facilitate power transfer from Dhauliganga HEP.

Transmission systems associated with Tala HEP (the first JV Project) and Tehri HEP, etc. are under advanced stage of implementation. Tehri Transmission System, besides evacuation, shall help in improving the power supply to Meerut & surrounding areas of Uttar Pradesh and Delhi. Tala Transmission System shall facilitate Inter-Regional transfer of power from Eastern Region to Northern Region. Through this, synchronization of Eastern and Northern Region shall also be achieved, a major milestone in the formation of National Grid. **With this, entire country except Southern Region shall have one grid.**

iii) Southern Region

During the year 2004-05, Ramagundam - Hyderabad 400 kV D/C line (main evacuation line of Ramagundam-III Transmission System) was commissioned 10 months ahead of schedule otherwise power would have been bottled up. Complete system has been commissioned 5 months ahead of schedule.

500 MW Gazuwaka HVDC Back to Back (2nd stage) was also commissioned enhancing country's total Inter-



A night view of Gas Insulated Substation at Kayamkulam.

Regional power transfer capacity to 9,500 MW. Series Compensation on Nagarjunasagar - Cuddapah 400 kV 2xS/C was completed in Oct'04, 6 months ahead of schedule with which power transfer capacity of the existing line has been enhanced by 400 MW.

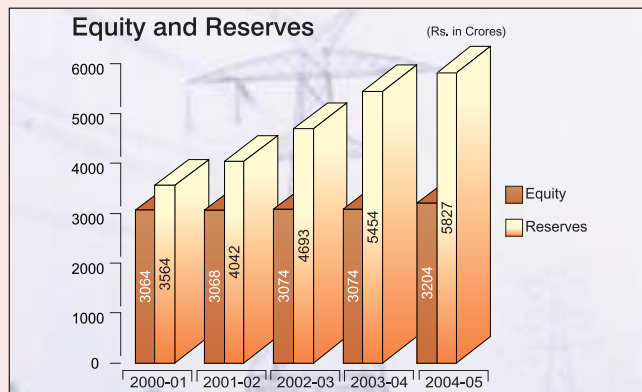
iv) Eastern Region

Unified Load Despatch & Communication scheme is under advanced stage of implementation and *shall be put under commercial operation in 2005-06.*

Major projects under implementation in the region included Tala Transmission System – the first JV Project, System Strengthening Scheme in Eastern Region and Transmission System associated with Kahalgaon Stage-II, Phase-I & II (1,500 MW), etc.

FINANCIAL MANAGEMENT

During the financial year 2004-05, Company's turnover stood at Rs. 2,831 Crore and the Company recorded a net profit of Rs. 786 Crore. CERC tariff notification applicable w.e.f 01.04.2004 with reduced ROE from 16% to 14% & reduced norms for O&M and incentive, etc. could have considerably depressed the turnover and profit but this was offset by prudent financial



management and by taking up more consultancy jobs during the year.

Gross Asset base of the Company has been enhanced to more than Rs. 21,930 Crore in 2004-05, as compared to Rs. 19,876 Crore in 2003-04.

Changes in accounting policies: Certain accounting policies/ methods have undergone change during the year. The impact of same is given at Para 16 of the notes on Accounts (Schedule 28).

Dividend

Interim dividend to the tune of Rs.88 Crore has been

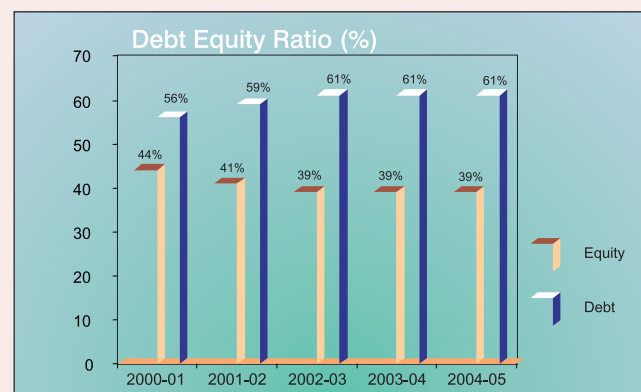


Interim dividend for the year 2004-05 being presented to Hon'ble Union Minister of Power.

paid in the month of February, 2005 and the Directors have recommended a further dividend of Rs.96 Crore for the Financial Year 2004-05 in addition to the interim dividend.

Transfer of Profit to Reserves

Appropriation of profit towards General Reserve amounting to Rs.300 crore and Rs.461.34 Crore towards Bonds Redemption Reserve has been proposed.



Directors' Responsibility Statement

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

- In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed.
- The Directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- The Directors had taken proper and sufficient care in accordance with the provisions of the Act for

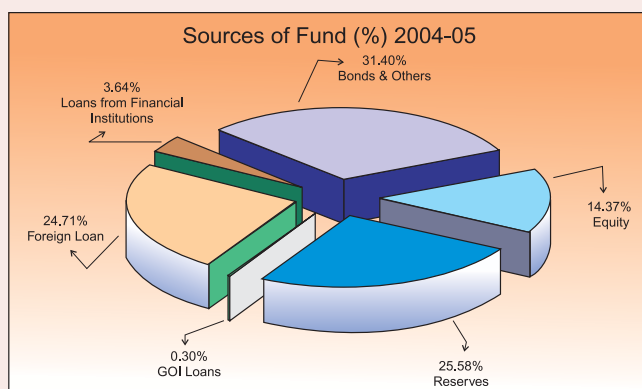


safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

- The Directors had prepared the Annual Accounts on a going concern basis.

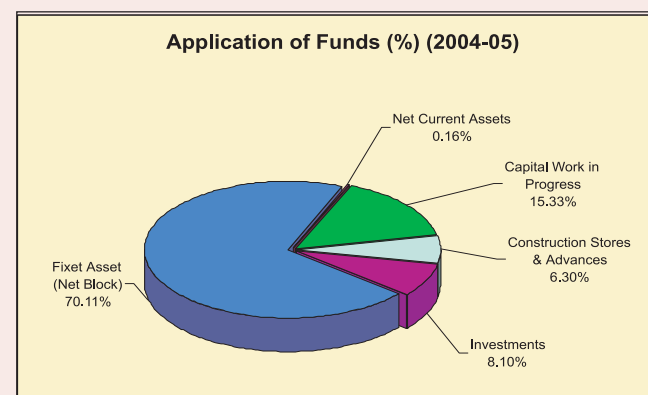
FUND MOBILISATION

Company undertook capital investment of Rs. 3,221 Crore in FY 2004-05, an increase of Rs. 800 Crore (i.e. 33%) over the previous year (FY 2003-04). For new capital investment, Rs. 750 Crore was mobilized via Domestic Bonds, Rs. 550 Crore as working capital loan from the banks and the balance requirement was met through loans from multilateral funding agencies and internal resources of the Company. The two premium credit rating agencies CRISIL and ICRA have assigned AAA (highest safety) for our bonds issue of Rs.750 crore.



Process has also been initiated to tie up foreign loans worth about US\$ 1,000 million each from The World Bank and ADB to take up projects in future. Out of this, loan assistance of US\$ 400 million from Asian Development Bank (ADB) has been approved by ADB's Board on 21.12.2004 and appraisal process for new loan

assistance of US \$ 400 million from The World Bank has been completed. This highlights lenders' confidence in POWERGRID's physical, financial and operational performance.



COMMERCIAL PERFORMANCE

Persistent efforts and interactions with State Government machinery are on for realisation of our dues. During the year, Corporation realized almost 100% (Rs. 2,531 Crore against a billing of Rs. 2,539 Crore) of its dues, as against about 98% during previous year.

Under securitization scheme, most of SEBs/State Transcos have signed the tripartite agreement except Orissa (which has no past or current over dues). Thus, this scheme continues to function effectively.

Significant achievement on commercial front during the year has been the full securitization of dues by Delhi (DVB) (but for the dues related to DESU period), which was held up for last 3½ years. During the year an additional amount of Rs.67.23 Crore in March, 2005 has been securitized, thus increasing the total securitization of Delhi (DVB period) to Rs.154.25 Crore. Further, Delhi has also liquidated



the post securitization due of Rs.30.96 Crore on 31.03.2005.

Some of the NER constituents have liquidated an amount of Rs.2.81 Crore of their outstanding dues on account of 13th Adjustment Bill by way of issue of Bonds through Securitization Scheme. This issue will be settled after finalization of relief package by Govt. of India.

During the year, an amount of Rs.17.78 Crore of surcharge due from Bihar State Electricity Board (BSEB) has been waived, after a decision was taken in a meeting with Secretary(Power), to clear the outstanding dues from BSEB upto 31.03.2004. This was not considered as income in earlier years as per Accounting Policy of the Company.

ACCELERATED IMPLEMENTATION OF NATIONAL GRID

POWERGRID has planned to create a strong and vibrant National Power Grid in a phased manner to ensure optimum utilization of generating resources, transmitting power from surplus to deficit areas, conservation of eco-sensitive right-of-way and for having flexibility to accommodate uncertainty of generation plans. **In line with the plan to establish 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.**

During the year, Inter-Regional power transfer capacity was enhanced by 1,000 MW to 9,500 MW with the commissioning of Augmentation of Gazuwaka HVDC Back to Back Station in Feb.,05 and Thyristor

Controlled Series Compensation along with TCSC on Raipur – Rourkela 400 KV D/C line .

This has facilitated enhanced Inter-Regional power transfer between power surplus Eastern Region and power deficit Southern Region, thus providing much needed relief to Southern Region in mitigating its power shortages especially in Northern part of Southern Region Grid and provided opportunity to generating utilities in Eastern Region (as also in NER) to enhance utilization of their existing capacities.

Such an Inter-Regional transfer of power has helped the constituents of exporting region by way of reduction in fixed generation charges and benefited importing region by mitigating their power shortages. Enhancement of Inter-Regional power transfer capacity has thus added huge economic value.

As of now, projects with Inter-Regional power transfer capacity of 8,500 MW are under different stages of implementation.

HARNESSING NEW TECHNOLOGY

POWERGRID has always accorded great importance to front-end technologies and their absorption in the Indian Power System. To sustain technological excellence, maintain leadership, to optimize the costs and conserve natural resources, POWERGRID continues to adopt State-of-the-Art technologies and ensure their seamless integration into Indian Power System. POWERGRID



A view of Delta Tower



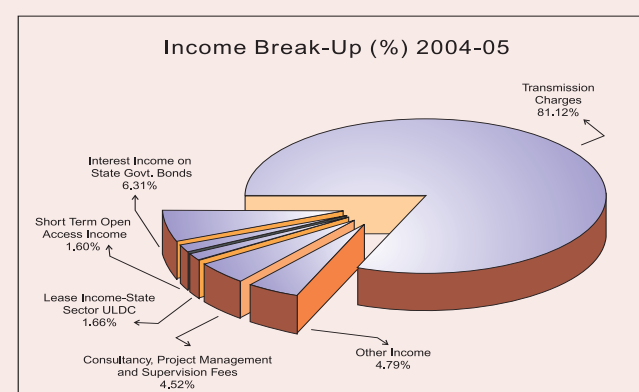
has harnessed and upgraded its technical wherewithal to optimize costs and to conserve the natural resources as described below:

- Advance Survey techniques like GIS Mapping and Satellite Imagery have been introduced in all new transmission system for route alignment which has resulted in reduction of transmission route length.
- Designed and tested 765 kV tower for Sipat transmission System with reduced Right-of-Way requirement of 64 mtrs. against 85 mtrs. first time in the world.
- High temperature endurance conductor (upto 200°C as against maximum temperature of 85°/95° C for normal conductor) INVAR is under implementation for increased loading.
- Substation automation at Kolar, Gazuwaka and Chandrapur have been implemented and a road map is drawn for automation of new substations in future.
- Compact layout for substation is being adopted leading to reduced land requirement (25% Reduction).
- Series capacitors were already installed on eight 400 kV ckt. lines and one 220 kV D/C line. Series capacitors on another ten 400 kV circuits lines are under implementation, besides several such schemes are under planning.
- Live line reconductoring for up-rating the transmission lines is being contemplated.
- Pole type tower structure is being planned in Urban areas. POWERGRID has also joined hands with

institutions like BHEL, I.I.T. Kharagpur, and CPRI for development of new technologies and a number of new areas have been identified to meet challenges in future.

DIVERSIFICATION INTO TELECOM

POWERGRID diversified into Telecom business to utilize spare telecommunication capacity available under ULDC schemes at marginal costs and leveraging its countrywide right-of-way of transmission infrastructure.



POWERGRID has envisaged a telecom network of about 19,000 Kms. interconnecting about 60 major cities including Metros and all State capitals at a cost of about Rs. 934 Crore. Out of this, POWERGRID has been able to commission about 16,000 Kms. of network in a period of 1½ year from the date of GOI approval in March 2003. The balance network is expected to be completed by mid 2005-06.

Presently, POWERGRID is one of the few telecom players with a presence in remote areas viz North-Eastern Region, J&K, Himachal Pradesh etc. and is providing highly reliable service to various customers. POWERGRID has achieved a Turnover of Rs. 26.54



Crore for the FY 2004-05, as against Rs.7.40 crore over previous year 2003-04. This has been achieved despite stiff competition from private players and steep fall in the prices of bandwidth.

PUBLIC-PRIVATE PARTNERSHIP

In today's scenario of globalised economy and strained public resources, fund infusion by private entities is of utmost importance to achieve growth requirement of infrastructure like transmission. POWERGRID is taking effective steps in this regard.

First Public-Private joint venture in Indian Power Sector between POWERGRID and TATA POWER for implementation of Transmission System associated with Tala HEP (Bhutan) is progressing successfully. Encouraged by the success, few more projects have been identified for implementation under JV route like Transmissions Systems associated with Koldam & Parbati HEPs, Western Region Strengthening Scheme – II and transmission system associated with Maithon Thermal Power Station.

FACILITATING DISTRIBUTION SECTOR REFORMS

Government of India (GOI) had 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 had marked the beginning of such reform programmes.

Keeping in view the critical importance of such programme and also considering the commitment of

POWERGRID towards sectoral development, GOI has appointed POWERGRID as Advisor-cum-Consultant to lend its managerial and technical expertise for developing 179 distribution circles/towns/ schemes spread over 18 States costing about Rs. 7,900 Crore. POWERGRID is also executing APDRP schemes of about Rs. 900 Crore on behalf of States such as Bihar, Goa, Meghalaya, UP and Mizoram on deposit work basis under bilateral arrangement. POWERGRID has also undertaken implementation of sub-transmission works of Rs. 550 Crore on bilateral basis in Bihar under Phase-I of strengthening scheme and detailed project report for Phase-II is under approval.

POWERGRID is also executing Rural Electrification works of 2,400 villages in Bihar on behalf of BSEB, on turnkey basis, costing about Rs. 192 Crore. Further, POWERGRID entered into MoU with Rural Electrification Corporation for undertaking rural electrification works under Rajiv Gandhi Grameen Vidhyutikaran Yojana (RGGVY). Under this, POWERGRID has also been assigned the job for execution of additional rural electrification for electrifying about 30,000 villages in 39 districts of Bihar, UP and West Bengal at an estimated cost of Rs. 2,500 Crore.

These are very challenging assignments for POWERGRID, it being a Transmission Company. However, POWERGRID has taken up the challenge in right earnest and innovative measures for the same have been adopted. Its construction being a short term activity, to avoid permanent liability of additional



manpower, POWERGRID has decided to deploy existing manpower & recruited retired experienced personnel from SEBs.

E-GOVERNANCE

POWERGRID has made remarkable strides in the area of Information Technology too and systematically developed competency for deploying Information Technology for efficient and effective discharge of its functions. Some of the salient achievements are Web based Enterprise wide Information Portal as a step towards E-Governance, state-of-the-art



A view of multi location video conferencing system

Multi Locational Video Conferencing System, Inspection Management System on internet based B2B platform, Engineering Project Management System developed in-house, Enterprise wide Converged IT and Communication System, Establishment of state-of-the-art 1,200 node IT network infrastructure at its Gurgaon Office Complex with features like Wi-Fi. To enhance transparency in its working, POWERGRID is hosting all the bid documents at the web site and has launched Web Based Vigilance Complaint

Management System. POWERGRID has also initiated action for implementation of ERP.

POWERGRID implemented Video conferencing facility in the capacity of Technical Expert cum Co-ordinator for MOP and CPSUs under MOP. First consultancy venture in IT for M/s Delhi Transco Ltd. has also been completed.

During the year, POWERGRID won the Microsoft Windows Challenger Contest conducted by Microsoft internationally on the subject 'Implementation of Windows Server System by various organizations'. It has achieved a global recognition by being amongst world's top 25 and India's 3 winners of this contest.

BUSINESS DEVELOPMENT

POWERGRID has developed in-house expertise at par with global standards in the field of Planning, Engineering, Load Despatch and Communication, Telecommunication, Contracting, Financial and Project Management. It is in a position to offer its expertise to utilities at a global level.

Business development activity of POWERGRID has shown a spectacular growth during the year in terms of revenue realization (more than Rs. 127 Crore during FY 2004-05 as against Rs. 37 Crore in FY 2003-04). POWERGRID has been able to stand tall in terms of its performance on this aspect by offering consultancy not only in India but also on international level leveraging upon our technical expertise developed over the years.

POWERGRID's first International Consultancy Contract with Bhutan Telecom for establishment of



OPGW System has been successfully completed on schedule. Further, POWERGRID has secured two more consultancy assignments from Bhutan Power Corporation for providing consultancy for construction of 220/66 kV Substation at Pasakha Industrial Estate and Turnkey execution of 132 kV Single Circuit Transmission Line from Deothang in Bhutan to Rangia in Assam, India. POWERGRID has also secured consultancy assignment against a stiff competition for the first prestigious 220 kV Transmission Line in Nepal from Khimti to Dhalkebar from Nepal Electricity Authority.

POWERGRID has also taken up a transmission project in Afghanistan (costing about Rs. 420 Crore) for construction of 220 kV Double Circuit Transmission Line from Pul-e-Khumri to Kabul (202 kms.) and new 220/110/20 kV Sub-station at Kabul. The transmission line would pass through snowbound tough hilly terrain steep hills with altitude ranging from 1800m to 4000m above sea level and temperatures as low as -30°C (a part of Hindukush mountain range). POWERGRID has already taken up various advance action and is fully geared up to complete the project as per schedule of 42 months.

On domestic front, POWERGRID secured more than 40 consultancy assignments with total order booking of about Rs. 140 Crore. Major consultancy assignments include execution of a 220 kV transmission line and four sub-stations at Kargil, Leh, Drass and Khalsti, implementation of ABT in the State of Gujarat, etc.

MANAGEMENT OF ENVIRONMENTAL AND SOCIAL ISSUES

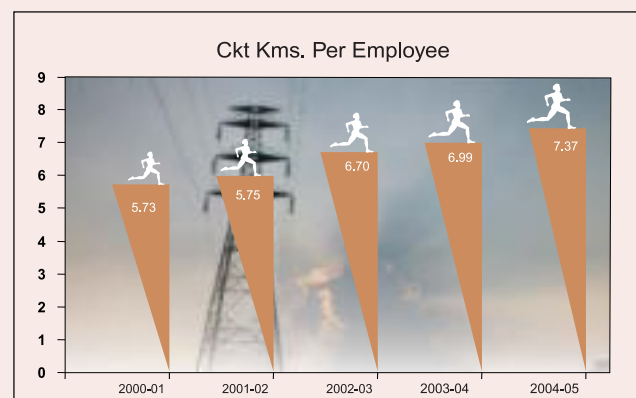
Creating Sustainable Corporate Values

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 its 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 efforts not only for sustaining such value-system but also inculcating desirable values.

Nurturing human capital to achieve excellence:

POWERGRID believes that its human resources consisting of about 7,000 employees is the





most important asset and accordingly, its policies are focused on development of human potential through skill upgradation, career enhancement and job rotation to achieve organizational



A view of Open House Interaction between Management and Employees

objectives. An effective work culture has been established in the organization through empowerment, transparency, decentralization and innovative practice of participative management through 'Open House' interaction.

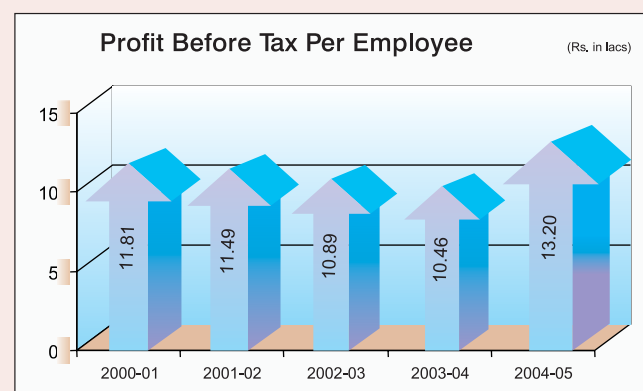
POWERGRID's higher productivity is demonstrated by the increase in manpower ratio of Ckt Km. per employee from 3.93 Ckt. Kms. in the year 1992-93 to 7.37 Ckt. Kms. during 2004-05. Profit per employee increased from Rs.3.25 lakhs in 1994-95 to Rs. 13.2 lakhs in FY 2004-05.

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, and Hotline Training Centre. The Company imparted training to 1,610 employees during financial year 2004-05, surpassing the MoU target of 1,600.

Further, to ensure a quality lifestyle for the employees, group housing society was set up and a township at Gurgaon is in finishing stage. For increased interaction among the employees, POWERGRID has also established a recreation centre in the township at Gurgaon with conferencing and boarding & lodging facilities.

To retain high level of motivation amongst to employees, a committee of eminent experts is envisaged to be set up to examine their grievances and suggest remedial measures.



Concern for Environment

Impact of POWERGRID's business on environmental degradation is almost negligible, however, it believes that conservation and management of the environment is an integral and essential part of economic development. Various initiatives have been undertaken towards protection of natural resources and environment conservation like



A picturesque scene of a tea garden with the transmission tower passing over it.

reduction in right-of-way requirement 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 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. 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. POWERGRID recognizes that sustainable development has a strong international dimension therefore, POWERGRID have 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.

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. During the year, POWERGRID worked hand in hand with PDD, J&K in very challenging condition in restoring their Pampore-Kishenpur 220 kV D/C line, which got damaged due to heavy snow avalanches.



Men at work on 220 kv Pampore - Kishenpur line.

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 due representation in employment. During the year, POWERGRID has recruited two such engineers, an Executive Engineer (Trainees).

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.

Implementation of official language

POWERGRID, as a company, is sensitive towards its heritage, social and cultural concerns. In pursuance of Govt. of India's Rajbhasha Policy to promote Indian languages and Rajbhasha "Hindi", POWERGRID has proved its commitment to ensure progressive use of Hindi in all its office works.

For outstanding and noteworthy contributions in Hindi, a number of incentive and reward schemes are in force. To increase the use of the official language and for its continued propagation, various activities like workshops to give training, meetings, poetry session, Drama, publication of Hindi magazines/papers, lectures from eminent personalities are regularly organized. To achieve the goal as laid out in the Rajbhasha Annual Plan, POWERGRID has made all efforts to integrate use of Hindi in all aspects of management in the Corporation and at all levels.

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 and is the recipient of many other awards viz. Rajbhasha Vikas Sammelan, Ghaziabad; First Prize to the Grid Darpan (Ank 9) by Rashtriya Hindi Academy, Rupambara, Calcutta, and the Rashtriya Rajbhasha Shield for the best Patrika and excellent work of POWERGRID in the last five years.

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.

In order to create an environment conducive to vigilance activities, significant achievement was made by involving senior management in preventive anti-corruption work. Vigilance Awareness Week during the year 2004 was celebrated with enthusiasm with



CMD, EDs and GMs posing group photo during the programme on Value Based Management



participation at all levels. The media as well as the contractors/vendors of POWERGRID were also associated with its observance specifically through panel discussions and in the 'Web-based complaint handling system, which was formally inaugurated during the occasion.

High priority was also placed on training in which various workshops were organized at the Corporate and Regional levels and also as part of the HRD Calendar for training. As a part of this, workshops were organized under the aegis of the IIM, Kolkata, for about 25 executives of the Eastern and North-Eastern Regions, in which the primary focus was on ethics and values. Similarly, a workshop was conducted at the Corporate Centre by Prof. S.K.Chakraborty of IIM, Kolkata, in which about 40 executives including EDs, Directors and CMD participated.

Relief to Tsunami victims

POWERGRID has taken many steps for welfare of the needy. In the wake of recent "Tsunami" tragedy, POWERGRID's employees contributed one day salary. Besides, a sum of additional Rs. 20 lacs was donated by POWERGRID Mahila Samiti and the Power Employees Welfare Associations of all the regions. A temporary kitchen was also established at Sriperumbudur and food



Relief materials being sent to Tsunami victims

packets were distributed to the victims.

POWERGRID also undertook restoration work at Andaman & Nicobar Islands affected by Tsunami. POWERGRID supplied various items like XLPE cable, GI pipes, Distribution Transformers, Power Transformers etc. and undertook installation of cable at Andaman & Nicobar Islands. We seek to further strengthen and expand our involvement in this area.

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, 2005 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 are given in Annexure-IV to this Report.

Corporate Governance

A report on the Corporate Governance as per the Model Listing Agreement (in respect of Debt Securities) together with the Certificate thereon are given in Annexure-V to this Report.

POWERGRID'S BOARD

During the year 2004-05, few changes took place in the constitution of the Board of Directors. Shri J. Haque joined POWERGRID Board as Director (Operations) w.e.f. 16th September, 2004. Shri S.C. Misra, Director (Projects) superannuated on 28th February, 2005. The Board places on record its deep appreciation and gratitude for the invaluable contribution extended by him. Shri J. Haque held the additional charge of the post of Director (Projects) w.e.f. 9th March, 2005 for a period of three months upto 8th June, 2005. Dr. V.K. Garg, Director (Finance) also relinquished the post w.e.f. 11th May, 2005 on elevation to the post of CMD, Power Finance Corporation Limited. The Board acknowledges the contribution made by him. The posts of Director (Projects) and Director (Finance) are presently vacant. The appointment of non - official part - time Directors, whose place fell vacant on 26.07.2001, is also awaited.

Acknowledgements

The Directors place on record their grateful thanks for the guidance and co-operation extended all through by Ministry of Power, Central Electricity Regulatory Commission, Central Electricity Authority, Ministry of Home Affairs, Ministry of Finance, Ministry of Statistics and Programme Implementation, Ministry of Environment & Forests, 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. Board extends its sincere thanks to customers of the Corporation, the State Electricity Boards/ Corporations for their continued co-operation in all the areas, be it technical, commercial or operational. Thanks are also due to the various organisations for the consultancy works awarded to POWERGRID and reposing faith in the POWERGRID's capability of handling them.

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

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

Last but not the least, the Board of Directors places on record the valuable contribution and appreciation for the support and the co-operation extended by each member of the POWERGRID family in the affairs of the Company.

(R.P. SINGH)

Chairman & Managing Director

Date : 16th September, 2005

Place : New Delhi



POWER MAP OF INDIA POWERGRID LINES





POWERGRID BROADBAND TELECOM NETWORK



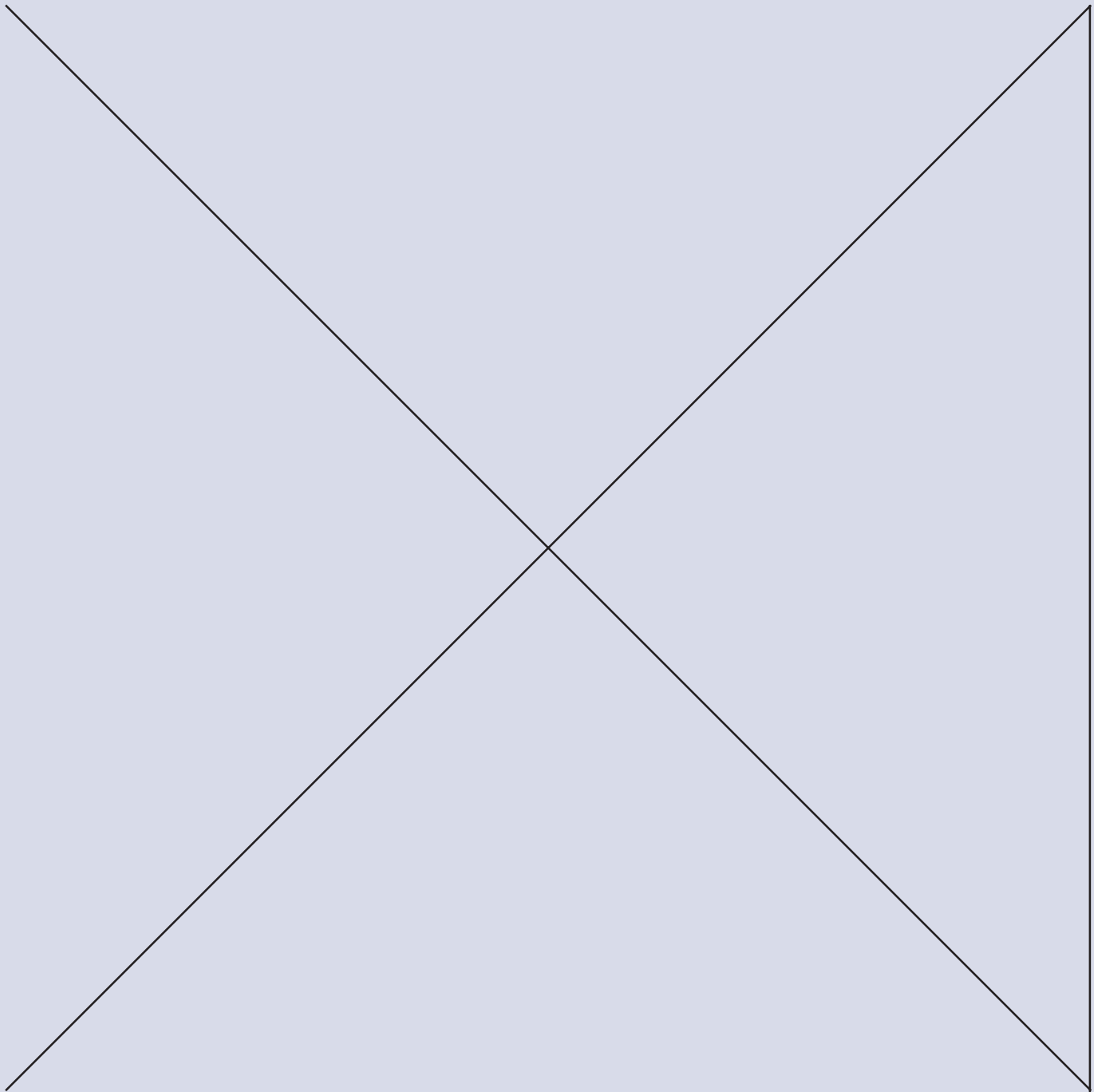
Bonding the Nation
Transmitting Happiness.



Accounts



Bonding the Nation
Transmitting Happiness.





FIVE YEARS' SUMMARY

FINANCIAL POSITION

(Rs.in lacs)

	2004-05	2003-04	2002-03	2001-02	2000-01
(A) WHAT THE COMPANY OWNED:					
Gross Fixed Assets	2193056	1987623	1894330	1377679	1326092
Less: Depreciation	563504	499240	434456	387090	347654
Net Fixed Assets	1629552	1488383	1459874	990589	978438
Capital Work-in-Progress & Construction					
Stores & Advances	502479	387606	259258	587498	315345
Investments	188242	185113	73908	73903	39747
Current Assets ,Loan & Advances	261127	292480	311273	244218	224735
TOTAL (A)	2581400	2353582	2104313	1896208	1558265
(B). WHAT THE COMPANY OWED:					
Borrowings From:					
- Govt. of India	6653	7211	165997	177243	185258
- Financial Institutions	81230	89740	24793	25449	15605
- Foreign Loans	550753	518875	481571	356707	286865
- Cash Credit					2
- Other Loans/Bonds	700168	610812	471967	432952	318486
Current Liabilities & Provisions	257404	220251	139819	158326	91486
Deferred Tax Liability	24035	18231	23286	19403	
Advance against Depreciation	61033	39533	20912	15719	
TOTAL (B)	1681276	1504653	1328345	1185799	897702
(C). NET WORTH OF THE COMPANY REPRESENTED BY :					
(i) Equity capital (including Deposit)	320406	307406	307406	306781	306388
ii) Free Reserves and Surplus	544265	486749	424611	369502	320604
iii) Less: Misc.Exp.to the extent not written off	2969	3900	775	572	2283
TOTAL (C)	861702	790255	731242	675711	624709
(D). COMMITTED RESERVES & LIABILITIES					
i) Capital Reserves	9400	9400	11206	11206	11206
ii) Grants in Aid	29022	29751	33520	23492	24648
iii) Development Surcharge Reserve		19523			
TOTAL (D)	38422	58674	44726	34698	35854
TOTAL (B+C+D)	2581400	2353582	2104313	1896208	1558265
CAPITAL EMPLOYED (Net Fixed Assets+Net Current Assets)	1548207	1502848	1587130	1041359	1111687
(E) RATIOS					
Net Profit to Capital Employed(%)	5.07	4.98	4.05	6.61	6.68
Net Profit to Net Worth(%)	9.12	9.47	8.79	10.19	11.89
Net Worth per Rupee of Paid-up Capital (in Rs.)	2.69	2.57	2.38	2.20	2.04
Debt/Equity Ratio	61:39	61:39	61:39	59:41	56:44
Liquidity Ratio	0.76:1	1.05:1	1.69:1	1.26:1	2.46:1



OPERATING RESULTS

(Rs.in lacs)

	2004-05	2003-04	2002-03	2001-02	2000-01
(A).EARNED FROM :					
Transmission Charges	229683	219061	195748	206328	231764
Sale of Power			12645	17676	16701
Consultancy & other income	53445	61514	44881	21548	19797
Total Earnings	283128	280575	253274	245552	268262
(B).PAID & PROVIDED FOR :					
Purchase of Power			12643	17615	16683
Employees Remuneration & Benefits	22718	23529	19052	17530	21738
Transmission Expenses	8718	7180	5926	4984	5832
Administration Expenses	10914	11187	9263	8692	8107
Other Expenses (Including Prior Period Adj.)	-2643	4329			
Deferred Revenue Expenditure	931	1385	111	96	525
Provisions	6558	1798	13960	10539	18
Total Expenditure (Excluding depreciation and interest)	47196	49408	61790	60814	54257
Profit before Depreciation & Interest	235932	231167	191484	184738	214005
Depreciation	64226	60642	46259	39409	71712
Interest & Finance Charges	80869	99096	70041	65804	61068
Net Profit after Interest & Depreciation but before Tax	90837	71429	75184	79525	81225
Provision for tax	6481	1664	7042	7223	6976
Net Profit after MAT	84356	69765	68142	72302	74249
Deferred Tax	5804	-5055	3883	3440	
Profit after Deferred Tax	78552	74820	64259	68862	
Dividend	18400	12500	10000	5066	5000



REVENUE EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR ENDED 31ST MARCH, 2005

(Rs.in lacs)

	As on 31.03.2005	As on 31.03.2004
Township		
a) Depreciation	486	425
b) Repair & Maintenance	376	351
c) Others	390	347
	1252	1123
Educational & School Facilities	183	172
Medical Facilities	2006	1697
Subsidised Transport	239	229
Social & Cultural Activities	458	532
Subsidised Canteen	473	427
Total	4611	4180
Lesss : Recoveries	124	116
Net	4487	4064



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. RESERVE AND SURPLUS

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

3. FIXED ASSETS

- 3.1 Fixed Assets are stated at original cost of acquisition including freight, insurance, duties, taxes & other incidental expenses 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 is 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 capitalisation are shown as CWIP till the capitalisation of the system.
- 4.2 Incidental Expenditure During Construction (net), including Corporate and Regional Office expenses allocated to the projects pro rata to their capital expenditure for the year, is apportioned to capital work in progress (CWIP) on the basis of accretion thereto. Interest during construction is apportioned on the closing balance of CWIP.
- 4.3 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors/technical assessment of work completed.
- 4.4 Claims for price- variation/exchange rate variation in case of contracts are accounted for on acceptance.

5. CONSTRUCTION STORES

Construction stores are valued at cost.

6. EXPENDITURE DURING CONSTRUCTION

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



7. BORROWING COST

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

8. TRANSACTION IN FOREIGN CURRENCY

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

9. INVESTMENTS

Long term investments are carried at cost less provisions, if any, for permanent diminution in the value of such investments. 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.
- 10.4 Surplus materials as determined by the management are held for intended use and are included in inventory.

11. DEFERRED REVENUE EXPENDITURE

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) up to 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.

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. Transmission income on account of additional capitalisation, if any, is accounted for in the year of order by the CERC.
- 12.1.2 Income from Short Term Open Access is accounted for on the basis of regulations notified by CERC.
- 12.1.3 Advance Against Depreciation, forming part of tariff, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.
- 12.2 Surcharge recoverable from debtors is not treated as accrued due to uncertainty of its realisation, and is, therefore accounted for on receipt/certainty of receipt basis.
- 12.3 Liquidated damages/warranty claims and Interest on advances to suppliers are not treated as accrued due to uncertainty, and are, therefore, accounted for on receipt/ acceptance basis.
- 12.4 Telecom income is accounted for on the basis the terms of agreements with/purchase orders from the customers.
- 12.5 Income from Consultancy/Contract Services is accounted for on the basis of actual progress / technical assessment of work executed.
- 12.6 The Transmission system Incentive/Disincentive is accounted for based on the norms notified/approved by Central Electricity Regulatory Commission from 01.04.2001 onwards and as per notification No. 2/3/Powergrid/Tariff/98 dated 04.02.99 of Government of India up to 31.03.2001 on certification of availability by the respective Regional Electricity Boards.
- 12.7 Scrap other than steel scrap & conductor scrap is accounted for as and when sold.
- 12.8 Dividend including interim dividend is recognised as income in the year of declaration.

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

- 13.1 State Sector ULDC assets leased to the SEBs are considered as Finance Lease. Net investment in such leased assets along with



accretion in subsequent years is accounted as Lease Receivables under Loans & Advances. Wherever grant-in-aid is received for construction of State Sector ULDC, lease receivable is accounted for net of such grant.

- 13.2 Finance income on leased assets is recognised based on a pattern reflecting a constant periodic rate of return on the net investment as per the levelled 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, and, ULDC assets, 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 block of Fixed Assets as at the end 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 appropriation thereof from the profit of the year.
- 15.2 Pre-paid/prior-period items up to Rs.100000/- are accounted to natural heads of account.
- 15.3 Expenses of Research and Development are charged to Revenue.
- 15.4 Expenditure, except the cost of equipment capitalised, incurred for activating the last mile connectivity of telecom links are amortised over the period of the agreement with the customer.

16. IMPAIRMENT OF ASSETS

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

17. RETIREMENT BENEFITS

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



ANNUAL REPORT
2004-2005

Balance Sheet As At 31st March, 2005

(Rupees in crores)					
	Schedule No.	RLDC	Transmission & others	As at 31st March, 2005	As at 31st March, 2004
SOURCES OF FUNDS					
Shareholders' Fund					
Share Capital	01		3204.06	3204.06	3074.06
Reserves and Surplus	02	43.85	5783.02	5826.87	5454.23
		<u>43.85</u>	<u>8987.08</u>	<u>9030.93</u>	<u>8528.29</u>
Loan Funds					
Secured Loans	03		8953.63	8953.63	7586.97
Unsecured Loans	04		4434.41	4434.41	4679.41
			<u>13388.04</u>	<u>13388.04</u>	<u>12266.38</u>
Advance Against Depreciation (Deferred Revenue)	05		610.33	610.33	395.33
Deferred Tax liability(Net)			240.35	240.35	182.31
Inter Unit Accounts(RLDC)		-4.04	4.04		
TOTAL		<u>39.81</u>	<u>23229.84</u>	<u>23269.65</u>	<u>21372.31</u>
APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	06	5.48	21925.08	21930.56	19876.23
Less: Depreciation		3.73	5631.31	5635.04	4992.40
Net Block		<u>1.75</u>	<u>16293.77</u>	<u>16295.52</u>	<u>14883.83</u>
Capital Work-in-Progress	07		3561.62	3561.62	2235.94
Construction Stores and Advances	08		1463.17	1463.17	1640.12
		<u>1.75</u>	<u>21318.56</u>	<u>21320.31</u>	<u>18759.89</u>
Investments	09		1882.42	1882.42	1851.13
Current Assets, Loans & Advances					
Inventories	10		184.27	184.27	196.86
Sundry Debtors	11	24.44	426.26	450.70	485.40
Cash and Bank Balances	12	67.84	536.13	603.97	775.45
Other Current Assets	13	3.25	131.60	134.85	287.38
Loans and Advances	14	8.24	1229.24	1237.48	1179.71
		<u>103.77</u>	<u>2507.50</u>	<u>2611.27</u>	<u>2924.80</u>
Less: Current Liabilities & Provisions					
Current Liabilities	15	65.48	2163.95	2229.43	1837.93
Provisions	16	0.23	344.38	344.61	364.58
		<u>65.71</u>	<u>2508.33</u>	<u>2574.04</u>	<u>2202.51</u>
Net Current Assets		<u>38.06</u>	<u>-0.83</u>	<u>37.23</u>	<u>722.29</u>
Miscellaneous Expenditure (to the extent not written off or adjusted)	17		29.69	29.69	39.00
TOTAL		<u>39.81</u>	<u>23229.84</u>	<u>23269.65</u>	<u>21372.31</u>
Contingent Liabilities	18	22.15	2422.86	2445.01	2299.84
Notes on accounts	28				

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

For and on behalf of the Board

(Divya Tandon)
Company Secretary

(J.Sridharan)
Executive Director(Finance)

(U.C.Misra)
Director (Personnel)

(R.P.Singh)
Chairman & Managing Director

For O.P.Bagla & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

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

(P.R.Paul)
Partner

For Nataraja Iyer & Co.
Chartered Accountants

(E.S.Ranganath)
Partner

Place: New Delhi
Date: 18th July, 2005



Profit and Loss Account For the Year Ended 31st March, 2005

	Schedule No.	RLDC	Transmission & others	For the Year Ended 31st March, 2005	For the Year Ended 31st March, 2004
(Rupees in crores)					
INCOME					
Revenue from Operations	19	27.90	2485.17	2513.07	2263.03
Provision written back	20		1.24	1.24	172.89
Other Income	21	12.98	303.99	316.97	369.83
TOTAL		40.88	2790.40	2831.28	2805.75
EXPENDITURE					
Employees' Remuneration & Benefits	22	20.09	207.09	227.18	235.29
Transmission, Administration and Other Expenses	23	9.21	188.11	197.32	184.95
Depreciation		0.42	641.84	642.26	606.42
Provisions	24		65.58	65.58	17.98
Interest and Finance Charges	25	0.56	808.13	808.69	990.96
Deferred Revenue Expenditure written Off			9.31	9.31	13.85
TOTAL		30.28	1920.06	1950.34	2049.45
Profit for the year before tax and Prior period Adjustments		10.60	870.34	880.94	756.30
Less: Prior Period Expenditure/(Income) (Net)	26	0.26	-27.69	-27.43	42.01
Profit Before Tax		10.34	898.03	908.37	714.29
Less: Provision for Taxation - Current Year			62.53	62.53	26.30
- Earlier Years			2.28	2.28	-9.66
Profit after Current Tax		10.34	833.22	843.56	697.65
Less: Provision for Deferred Tax - Current Year			44.77	44.77	
- Earlier Years			13.27	13.27	-50.55
Profit after Tax		10.34	775.18	785.52	748.20
Add: Balance of Profit brought forward				38.31	69.55
Add: Bond Redemption Reserve Written Back				195.92	391.60
Total Amount Available for Appropriation				1019.75	1209.35
Appropriation					
Interim Dividend Paid				88.00	
Proposed Final Dividend				96.00	125.00
Provision for Dividend Tax				25.28	16.02
Transfer to Self Insurance Reserve				17.23	
Transfer to Bonds Redemption Reserve				461.34	80.02
Transfer to General Reserve				300.00	950.00
Balance of Profit carried over to Balance Sheet				31.90	38.31
				1019.75	1209.35
Earning per Share-Basic (In Rs. per share of Rs.1000/-)				257	247
Earning per Share-Diluted (In Rs. per share of Rs.1000/-)				254	243
Incidental Expenditure During Construction	27				

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

For and on behalf of the Board

(Divya Tandon)
Company Secretary

(J.Sridharan)
Executive Director(Finance)

(U.C.Misra)
Director (Personnel)

(R.P.Singh)
Chairman & Managing Director

For O.P.Bagla & Co.
Chartered Accountants
(Rakesh Kumar)
Partner

As per our report of even date
For B.M.Chatrath & Co.
Chartered Accountants
(P.R.Paul)
Partner

For Nataraja Iyer & Co.
Chartered Accountants
(E.S.Ranganath)
Partner

Place: New Delhi
Date: 18th July, 2005



Schedules

Schedule 01 - Share Capital

(Rupees in crores)

Description	As at 31st March, 2005	As at 31st March, 2004
AUTHORISED		
5,00,00,000 (Previous year 5,00,00,000) equity shares of Rs. 1000/- each.	<u>5000.00</u>	<u>5000.00</u>
ISSUED, SUBSCRIBED AND PAID-UP		
3,16,52,486 (Previous Year 3,03,52,486) equity shares of Rs 1000/-each fully paid up	3165.25	3035.25
Share Capital Deposit	<u>38.81</u>	<u>38.81</u>
TOTAL	<u>3204.06</u>	<u>3074.06</u>

Schedule 02 - Reserves and Surplus

(Rupees in crores)

Description	As at 31st March, 2004	Additions During the Year	Deductions/ Adjustments During the Year	As at 31st March, 2005
Capital Reserve	94.00	-	-	94.00
Grants in aid	297.51	5.22	12.51	290.22
Self Insurance Reserve	72.39	17.23	1.08	88.54
General Reserve	4390.37	300.00		4690.37
Bonds Redemption Reserve	366.42	461.34	195.92	631.84
Development Surcharge Reserve	195.23	4.41	199.64	
	<u>5415.92</u>	<u>788.20</u>	<u>409.15</u>	<u>5794.97</u>
Balance in Profit & Loss Account	38.31			31.90
TOTAL	<u>5454.23</u>			<u>5826.87</u>

Schedule 03 - Secured loans

(Rupees in Crores)

Description	As at 31st March, 2005	As at 31st March, 2004
LOANS THROUGH BONDS		
BONDS VI SERIES		
13% Taxable, Secured, Redeemable, non-cumulative, non-convertible Bonds of Rs.1000/-each redeemable at par in 10(ten) annual equal installments from 6th December, 2002 Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Gandhar Stage-I Transmission System	70.00	80.00
BONDS VII SERIES		
13.5% 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.	120.00	160.00
BONDS VIII SERIES		
10.35% Taxable, Secured, Redeemable, non-cumulative non-convertible Bonds of Rs.1000/-each redeemable at par in 10(Ten) equal annual instalments w.e.f. 27th April, 2005 Secured by floating charge over the Fixed Assets of the Corporation	20.00	20.00



Schedule 03 - Secured loans (Contd.)

(Rupees in crores)

Description	As at 31st March, 2005	As at 31st March, 2004
BONDS IX SERIES 12.25% Taxable, Secured, Redeemable, non-cummulative, non-convertible Bonds of Rs. 1,00,000/- each redeemable at par in 10(Ten) equal annual instalments w.e.f. 22nd August, 2003 Secured by way of Registered Debenture Trust Deed on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of Transmission lines and Sub-stations of parts of NJTL system.	461.20	518.85
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	698.06	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 Guajrat and mortgage & hypothecation on assets of Uri Transmission system	138.00	172.50
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	681.00 184.50	715.50 184.50
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



Schedule 03 - Secured loans (Contd.)

(Rupees in crores)

Description	As at 31st March, 2005	As at 31st March, 2004
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	167.00	208.75
	977.00	1018.75
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. 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.	640.75	*
BONDS XV SERIES 6.68% Taxable, Secured, Non-Cumulative, Non-convertible Bonds of Rs. 1.50 crores each consisting of 12 STRPP's of Rs 12.50 lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f 23.02.2008. Secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.	900.00	*
	4752.51	3459.12
* Opening balances of Bonds XIV and XV issue were included under Unsecured Loans.		
Term Loans from Banks/ Financial Institutions Secured by a floating charge on the fixed assets of the Company		
Indian Overseas Bank	80.00	90.00
Corporation Bank	85.00	95.00
Punjab National Bank-Loan-I	160.00	180.00
Punjab National Bank-Loan-II	275.00	300.00
Oriental Bank of Commerce	229.17	250.00
Life Insurance Corporation of India	736.63	810.80
	1565.80	1725.80
ICICI Bank Ltd. Secured by first pari passu charge over the assets of the Company	120.00	135.00
Life Insurance Corporation of India Secured by equitable mortgage of immovable properties of Kathalguri Transmission System	0.67	1.60
Bank of India, Cayman Island Secured by a Floating charge on the immovable properties of the company	417.50	443.10
Loan from International Bank for Reconstruction and Development (Guaranteed by Govt. of India)		
PSDP I Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyaachal and Rihand Transmission system and further guaranteed by Government of India	695.30	739.24



Schedule 03 - Secured loans (Contd.)

(Rupees in crores)

Description		As at 31st March, 2005	As at 31st March, 2004
PSDP-II	1401.85		1083.11
Secured by pari passu interest in the liens created on the assets as security for the debts and further guaranteed by Government of India			
		2097.15	1822.35
		4201.12	4127.85
Total Secured Loans		8953.63	7586.97
Due for repayment/redemption within one year		625.50	503.14

Schedule 04 - Unsecured Loans

(Rupees in Crores)

Description		As at 31st March, 2005	As at 31st March, 2004
LOANS THROUGH BONDS			
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% Taxable, Secured, Non-Cumulative, Non-convertible Bonds of Rs. 1.50 crores each consisting of 12 STRPP's of Rs 12.50 lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 23.02.2008. To be secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at mouje Ambheti taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company. * Closing balances of Bonds XIV and XV issue are included under Secured Loans.		*	900.00
BONDS XVI SERIES			
7.10% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs 1.00 crore each consisting of 10 STRPP's of Rs 10.00 lakh each redeemable at par in 10 (Ten) equal annual installments w.e.f. 18.02.2009 To be secured by way of Registered Debenture Trust deed ranking pari passu on immovable property situated at mouje Ambheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.		750.00	
		750.00	1599.00
Loans in Indian Currency			
Short Term Loans			
State Bank of India	350.00		
State Bank of Patiala	100.00		
State Bank of Hyderabad	100.00		
		550.00	



Schedule 04 - Unsecured Loans (Contd.)

Description	(Rupees in Crores)	
	As at 31st March, 2005	As at 31st March, 2004
Term Loans		
Power Finance Corporation Limited	75.00	85.00
Government of India	66.53	72.11
	<u>141.53</u>	<u>157.11</u>
	691.53	157.11
Loans in Foreign Currency		
From Indian Banks		
State Bank of India, London	80.69	110.73
Bank of Baroda , London	64.85	95.36
	<u>145.54</u>	<u>206.09</u>
From Foreign Banks & Financial Institutions		
Loans Guaranteed by Govt of India		
a. Natexis Banque (Credit National), France	136.32	131.68
b. Credit Agricole Indosuez (Banque Indosuez)	35.07	46.78
c. Asian Development Bank (1405 - IND)	786.13	834.86
(To be Secured by creating charge on the assets of the Company to rank pari passu with the other secured lenders)		
d. Overseas Economic Corporation Fund (JBIC)	138.90	99.22
e. European Investment Bank	127.55	132.13
f. Asian Development Bank (1764-IND)	511.99	432.54
(To be Secured by creating charge on the assets of the Company to rank pari passu with the other secured lenders)		
	<u>1735.96</u>	<u>1677.21</u>
Others		
Kreditanstalt Fur Wiederaufbau, Germany	860.73	909.48
Scandiviska enskilda Banken AP(PUBL)	178.47	26.26
	<u>1039.20</u>	<u>935.74</u>
NTPC Purchase Consideration		
PENDING FINALISATION OF TRIPARTITE AGREEMENT/BACK TO BACK AGREEMENT AMOUNT PAYABLE TO GOVERNMENT OF INDIA ON ACCOUNT OF Syndicated loan from Industrial Bank, Japan	72.18	104.26
	<u>2847.34</u>	<u>2717.21</u>
	2992.88	2923.30
	<u>4434.41</u>	<u>4679.41</u>
Total Unsecured Loans	850.29	331.95
Due for repayment/redemption within one year		

Schedule 05 - Advance Against Depreciation (Deferred Revenue)

Description	(Rupees in crores)			
	As at 31st March, 2004	Additions During the Year	Reversals/ Adjustments during the year	As at 31st March, 2005
Advance Against Depreciation	395.33	216.10	1.10	610.33
TOTAL	395.33	216.10	1.10	610.33
Previous Year	209.12	187.14	0.93	395.33



Schedule 6A - Fixed Assets - RLDC

(Rupees in Crores)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2004	Additions during the year	Adjustments during the year	As at 31st March, 2005	Upto 31st March, 2004	Additions for the year	Adjustments during the year	As at 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
Plant & Machinery	0.52		0.19	0.33	0.22	0.02	0.03	0.21	0.12	0.30
Furniture, Fixtures & Other equipment	1.68	0.10	0.03	1.75	0.74	0.10	0.03	0.81	0.94	0.94
EDP/WP Machines	2.93	0.29	0.06	3.16	2.39	0.17	0.04	2.52	0.64	
Miscellaneous Assets/Equipments	0.23	0.01		0.24	0.19			0.19	0.05	0.58
TOTAL (F)	5.36	0.40	0.28	5.48	3.54	0.29	0.10	3.73	1.75	1.82
Previous Year	5.51	0.32	0.47	5.36	3.57	0.50	0.53	3.54	1.82	

Schedule 06 - Fixed Assets

(Rupees in Crores)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2004	Additions during the year	Adjustments during the year	As at 31st March, 2005	Upto 31st March, 2004	Additions for the year	Adjustments during the year	As at 31st March, 2005	As at 31st March, 2005	As at 31st March, 2004
Land										
a) Freehold	171.24	20.40	-11.56	203.20					203.20	171.24
b) Leasehold	31.50	6.08	-0.30	37.88	1.82	0.34	-0.01	2.17	35.71	29.68
c) Unclassified	0.18			0.18					0.18	0.18
Buildings										
a) Sub-Stations & Office	285.99	23.32	17.22	292.09	59.33	7.37	0.18	66.52	225.57	226.66
b) Township	172.06	30.82		202.88	26.44	3.40		29.84	173.04	145.62
Temporary Erection	6.09	0.30	0.11	6.28	4.55	0.32	0.12	4.75	1.53	1.54
Roads & Bridges	56.44	5.82	-0.13	62.39	9.00	1.07		10.07	52.32	47.44
Water Supply Drainage & Sewerage	38.58	4.05	-0.14	42.77	7.38	0.92		8.30	34.47	31.20
Plant & Machinery										
a) Transmission Lines	11273.08	748.77	-4.54	12026.39	2468.79	298.92	0.65	2767.06	9259.33	8804.30
b) Substation	6941.48	708.39	-93.95	7743.82	2264.69	265.93	-0.08	2530.70	5213.12	4676.78
c) ULDC	332.09	0.45	-67.26	399.80	29.15	23.86	-6.78	59.79	340.01	302.94
d) Telecom links	400.98	362.75	55.53	708.20	32.32	30.23	6.49	56.06	652.14	368.66
Constrn.and Workshop equipment	16.77	3.59	-0.10	20.46	6.48	0.65	-0.02	7.15	13.31	10.29
Electrical Installation	25.30	9.07	0.63	33.74	11.04	1.40	0.06	12.38	21.36	14.26
Vehicles	3.38	0.35	0.40	3.33	2.53	0.16	0.38	2.31	1.02	0.85
Furniture, Fixtures & Office equipment	45.35	5.38	-16.08	66.81	23.08	3.06	-0.30	26.44	40.37	22.27
EDP/WP Machines	40.24	4.03	2.18	42.09	26.12	6.05	2.75	29.42	12.67	14.12
Miscellaneous Assets/Equipments	28.50	3.35	-0.31	32.16	16.11	2.42	-0.01	18.54	13.62	12.39
Capital Exp. on Assets not owned by the Company	6.98	0.72		7.70	3.57	1.42		4.99	2.71	3.41
Grand Total	19876.23	1937.64	-118.30	21932.17	4992.40	647.52	3.43	5636.49	16295.68	14883.83
Less: Provisions for assets discarded				1.61				1.45	0.16	
				21930.56				5635.04	16295.52	
Previous Year	18943.30	1186.25	253.32	19876.23	4344.56	610.82	-37.02	4992.40	14883.83	
					31.03.2005	31.03.2004				
Depreciation (Addition during the year)					647.52	610.82				
Less: Transferred to Incidental Expenditure During Construction					5.26	4.40				
Charged to Profit & Loss Account					642.26	606.42				



Schedule 07 - Capital Work In Progress

(Rupees in crores)

Description	Balance As at 31.03.2004	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2005
Land					
Development of land	6.50	5.93	3.60	0.89	7.94
Buildings					
a) Sub-Stations & Office	15.67	38.75	0.58	21.84	32.00
b) Township	41.52	32.96	-0.18	30.59	44.07
Temporary erection	0.26	0.19	0.02	0.21	0.22
Roads & Bridges	4.57	6.08	0.32	5.28	5.05
Water Supply Drainage and Sewerage	1.94	4.21	0.29	3.56	2.30
Plant & Machinery (including associated civil works)					
a) Transmission Lines	1443.29	1802.84	-4.74	751.93	2498.94
b) Sub-Station	187.92	925.57	2.08	706.33	405.08
c) ULDC	65.55	123.48	1.19	0.76	187.08
d) Telecom links	362.36	293.15	-10.98	357.63	308.86
Furniture, Fixtures & Other office equipment	0.85	0.58		0.04	1.39
Electrical installations	1.45	13.82	0.22	8.17	6.88
Survey, Investigation, Consultancy & Supervision Charges	24.08	23.10	3.09	0.88	43.21
Difference in Exchange on foreign Loans	-6.22	65.72	64.85	-2.24	-3.11
Capital expenditure on assets not owned by Company	0.26	1.36		0.26	1.36
Incidental Expenditure during Construction	85.94	325.32	390.91	0.00	20.35
TOTAL	2235.94	3663.06	451.25	1886.13	3561.62
Previous Year	1696.79	1630.76	-63.65	1155.26	2235.94

Schedule 08 - Construction Stores and Advances

(Rupees in crores)

Description		As at 31st March, 2005	As at 31st March, 2004
Construction Stores {Including Material in transit/pending issue to contractors and with contractors of Rs 872.55 crores (Previous Year Rs. 1262.92 crores)}			
Steel	0.40		0.64
Cement	0.03		0.08
Others	938.02		1281.16
	938.45		1281.88
Less: Provision for Shortages and obsolete material	5.33		1.89
		933.12	1279.99
Advances for Capital Expenditure			
Secured			
Considered Good	5.60		2.37
Unsecured			
Considered Good			
a. Against Bank guarantees	462.64		281.85
b. Others	61.81		75.91
Considered Doubtful	1.99		0.84
	526.44		358.60
Less: Provision for Bad & Doubtful Advances	1.99		0.84
		524.45	357.76
		530.05	360.13
		1463.17	1640.12



Schedule 09 - Investments

(Rupees in crores)

Description	As at 31st March, 2005	As at 31st March, 2004
LONG TERM		
A. TRADE INVESTMENTS		
I. Govt. Securities (Unquoted):-		
a) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of :		
Andhra Pradesh	180.52	180.52
Arunachal Pradesh	5.22	5.22
Assam	167.80	167.80
Bihar	126.86	126.86
Gujarat	70.04	70.04
Haryana	80.50	80.50
Himachal Pradesh	2.83	2.83
Jammu & Kashmir	161.98	161.98
Karnataka	23.76	23.76
Less: bonds payable to NLC	<u>1.33</u>	<u>1.33</u>
	22.43	22.43
Kerala	24.11	24.11
Madhya Pradesh	104.06	104.06
Maharashtra	13.47	13.47
Manipur	31.70	31.70
Meghalaya	0.43	0.43
Mizoram	0.02	0.02
Nagaland	13.93	13.93
Punjab	46.94	46.94
Rajasthan	21.80	21.80
Sikkim	11.27	11.27
Tamil Nadu	35.03	35.03
Tripura	0.91	0.91
Uttar Pradesh	461.46	461.46
Uttaranchal	51.27	51.27
West Bengal	<u>80.49</u>	<u>80.49</u>
	1715.07	1715.07



Schedule 09 - Investments (Contd.)

Description	(Rupees in crores)	
	As at 31st March, 2005	As at 31st March, 2004
b) Other Bonds:-		
7 years 12.25% PSEB Bonds, 1st Tranche Interest payable Annually, bonds of Rs. 5 lakh each redeemable w.e.f. 18.12.2006	2.10	2.10
7 years 12.25% PSEB Bonds, 11nd Tranche Interest payable Annually, Bonds of Rs 5 lakh each redeemable w.e.f. 01.03.2007	7.65	7.65
15 years 8.5% J&K Govt. Bonds 2017, Interest payable semi-annually, redeemable w.e.f 31.03.2008	23.08	23.08
15 years 8.5% J&K Govt. Bonds 2018, Interest payable semi-annually, redeemable w.e.f 31.03.2008	<u>26.87</u>	<u>26.87</u>
II. Equity Shares-Fully Paid up :-	59.70	59.70
Quoted		
120,00,006(Previous year 120,00,006) Shares of Rs.10/- each of PTC India Ltd.(formerly Power Trading Corporation of India Ltd.) {Market Value Rs 57.61 crore @ Rs 48.01 per share (Previous year -unquoted)}	12.00	12.00
Unquoted		
Subsidiary Company		
50,000 shares of Rs 10/- each of Bina Dehgam Transmission Company Ltd	0.05	0.05
Others		
95599000 (Previous year 64312500) shares of Rs 10/- each of Powerlink Transmission Ltd	<u>95.60</u>	64.31
	<u>95.65</u>	<u>64.36</u>
TOTAL (A)	107.65	76.36
	1882.42	1851.13
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)	<u>0.00</u>	<u>0.00</u>
GRAND TOTAL (A+B)	1882.42	1851.13

Note : 95599000 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.



Schedule 10 - Inventories

Description	RLDC	Transmission & others	(Rupees in Crores)	
			As at 31st March, 2005	As at 31st March, 2004
(As taken, valued and certified by the Management)				
Components, Spares & other spare parts				
i) Transmission Inventory				
Towers		46.98	46.98	46.37
Conductors		11.33	11.33	13.19
Other Line Materials		24.00	24.00	24.19
ii) Sub-Station Equipments/Spares		51.84	51.84	42.71
iii) HVDC Equipments/spares		32.92	32.92	49.26
iv) ULDC Spares		0.25	0.25	0.08
v) Telecom Spares		0.71	0.71	
vi) Other Stores		14.37	14.37	19.91
Consumable stores		1.41	1.41	0.43
Loose tools		0.65	0.65	0.85
		184.46	184.46	196.99
Less Provision for Shortages		0.19	0.19	0.13
		184.27	184.27	196.86

Inventories includes stores in transit Rs 0.01 crores (previous year Rs 0.02 crores)

Schedule 11 - Sundry Debtors

Description	RLDC	Transmission & others	(Rupees in Crores)	
			As at 31st March, 2005	As at 31st March, 2004
Debts Outstanding exceeding Six Months				
Considered Good	22.85	300.51	323.36	357.24
Considered Doubtful		97.91	97.91	39.29
	22.85	398.42	421.27	396.53
Others				
Considered Good	1.59	125.75	127.34	128.16
Considered Doubtful				
			127.34	128.16
	24.44	524.17	548.61	524.69
Less: Provision for bad & doubtful debts		97.91	97.91	39.29
	24.44	426.26	450.70	485.40

(The debtors are unsecured except to the extent of Rs 245.43 crores (Previous year Rs. 220.20 crores for which Letters of Credit held by the Company from SEBs as on 31st March, 2005)



Schedule 12 - Cash & Bank Balances

Description	RLDC	Transmission & others	(Rupees in Crores)	
			As at 31st March, 2005	As at 31st March, 2004
Cash, Stamps and Imprest	0.01	0.14	0.15	0.13
Drafts/Cheques in Hand (Current Year Rs. 18778)				13.33
Remittance in transit	0.92	22.12	23.04	201.66
Balance with scheduled banks-				
- In Current Accounts/Flexi deposit Account (Including Rs 52.15 crores lying in designated accounts meant for specific disbursal)	55.44	162.33	217.77	556.96
- In Term Deposits	11.47	351.54	363.01	3.37
	67.84	536.13	603.97	775.45
Balance In Non-Scheduled Banks[Bank Balance of Rs 5144.00 (maximum Bank Balance Rs.597161.00) with DA Afghanistan Bank, Kabul]				

Schedule 13 - Other Current Assets

Description	RLDC	Transmission & others	(Rupees in Crores)	
			As at 31st March, 2005	As at 31st March, 2004
Public Deposit Account with Govt. of India				2.00
Interest accrued on Public Deposit Account				11.53
Interest accrued on Investments (Bonds)		74.90	74.90	221.50
Interest accrued on Employee loans	3.25	53.78	57.03	52.26
Others		2.92	2.92	0.09
	3.25	131.60	134.85	287.38

Schedule 14 - Loans & Advances

Description	RLDC	Transmission & others	(Rupees in Crores)	
			As at 31st March, 2005	As at 31st March, 2004
a) Loans to				
- Employees	6.92	99.02	105.94	113.36
- Others		154.74	154.74	87.13
	6.92	253.76	260.68	200.49
b) Recoverable from Subs.of Sch.Banks		78.23	78.23	78.23
Less :Adhoc Provision held for final settlement of the matter(Note No.8 I(d) in Schedule 28)		50.00	50.00	50.00
		28.33	28.23	28.23
c) Lease Receivables		675.06	675.06	696.07



Schedule 14 - Loans & Advances (Contd.)

(Rupees in Crores)

Description	RLDC	Transmission & others	As at 31st March, 2005	As at 31st March, 2004
d) Advances				
Advances recoverable in cash or in kind or for value to be received				
Contractors & Suppliers (Including Material issued on loan)		1.03	1.03	1.78
- Employees	0.30	7.61	7.91	9.12
- Claims recoverable		3.57	3.57	3.66
- Others	0.86	75.81	76.67	55.77
	1.16	88.02	89.18	70.33
Less: Provision for bad and doubtful Advances and Claims		4.32	4.32	3.39
	1.16	83.70	84.86	66.94
Balance with Customs, Port Trust and other authorities	0.16	18.19	18.35	14.99
Advance Tax & TDS		170.30	170.30	172.99
	1.32	272.19	273.51	254.92
TOTAL	8.24	1229.24	1237.48	1179.71
Particulars of Loans and Advances				
Secured	5.36	107.01	112.37	96.13
Unsecured Considered Good	2.88	1122.23	1125.11	1083.58
Considered doubtful		54.32	54.32	53.39
	8.24	1283.56	1291.80	1233.10
Less: Provision for Bad & Doubtful Claims		54.32	54.32	53.39
	8.24	1229.24	1237.48	1179.71
Due from Directors & Officers of the company				
Directors		0.03	0.03	0.03
Officers	0.64	9.27	9.91	9.77
Directors Maximum Amount		0.04	0.04	0.04
Officers Maximum Amount	0.72	11.76	12.48	11.51

Schedule 15 - Current Liabilities

(Rupees in Crores)

Description	RLDC	Transmission & others	As at 31st March, 2005	As at 31st March, 2004
Sundry Creditors				
- For capital expenditure	0.01	385.61	385.62	387.01
- Other goods and services	0.63	86.61	87.24	100.83
	0.64	472.22	472.86	487.84
Advance from Customers		890.91	890.91	576.13
Deposits Retention money from contractors and others	0.52	463.43	463.95	450.11
Less : Investments held as security		0.29	0.29	0.31
	0.52	1354.05	1354.57	1025.93
Investor Education and Protection Fund:				
Un-paid (Un-claimed) matured bonds		0.17	0.17	0.05
Other Liabilities	64.32	54.76	119.08	60.16
Interest Accrued But Not Due On Loans From				
- Government of India		4.40	4.40	4.77
- Indian Banks, Financial Institutions & Corporations		50.86	50.86	7.99
- Foreign Banks & Financial Institutions		47.38	47.38	40.42
- Secured/Unsecured redeemable Bonds		180.09	180.09	185.23
- Others		0.02	0.02	25.54
		282.75	282.75	263.95
TOTAL	65.48	2163.95	2229.43	1837.93



Schedule 16 -Provisions

Description	(Rupees in Crores)	
	As at 31st March, 2005	As at 31st March, 2004
Taxation (Including interest on Tax)		
As per last balance sheet	156.82	140.49
Additions during the year	64.81	16.64
Amounts utilised/paid during the year	65.14	0.31
	156.49	156.82
Retirement Benefits		
As per last balance sheet	48.62	33.35
Additions during the year	57.27	37.87
Amounts utilised/paid during the year	31.35	22.60
	74.54	48.62
Exgratia		
As per last balance sheet	4.10	4.02
Additions during the year	4.11	4.10
Amounts paid during the year	4.10	4.02
	4.11	4.10
Others		
As per last balance sheet	14.02	
Additions during the year	0.01	14.02
Amounts utilised/paid during the year	14.02	
	0.01	14.02
Dividend		
As per last balance sheet	125.00	50.00
Additions during the year	96.00	125.00
Amounts paid during the year	125.00	50.00
	96.00	125.00
Dividend Tax		
As per last balance sheet	16.02	6.41
Additions during the year	13.78	16.02
Amounts paid during the year	16.34	6.41
	13.46	16.02
TOTAL	344.61	364.58

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

Description	(Rupees in Crores)			
	As at 31st March, 2004	Additions during the year	Deductions during the year	As at 31st March, 2005
Deferred Revenue Expenditure	39.00		9.31	29.69
TOTAL	39.00		9.31	29.69
Previous Year	7.75	45.10	13.85	39.00



Schedule 18 - Contingent Liabilities

(Rupees in Crores)				
Description	RLDC	Transmission & others	As at 31st March, 2005	As at 31st March, 2004
1 Claims against the Company not acknowledged as debt in respect of				
- Arbitration / Court Cases		923.08	923.08	542.23
- Land / Crop / Tree Compensation cases		258.24	258.24	347.00
- Others		233.17	233.17	214.40
2 Disputed Tax Demands-Income Tax		81.45	81.45	6.59
3 Disputed Tax Demands-Others		127.14	127.14	125.62
4 Continuity Bonds with Custom Authorities		775.38	775.38	908.65
5 Others	22.15	24.40	46.55	155.35
TOTAL	22.15	2422.86	2445.01	2299.84

Schedule 19 - Revenue from Operations

(Rupees in Crores)				
Description	RLDC	Transmission & others	For the Year Ended 31st March, 2005	For the Year Ended 31st March, 2004
Revenue from Transmission Charges		2511.83	2511.83	2376.82
Less: Advance Against Depreciation		216.10	216.10	187.14
		2295.73	2295.73	2189.68
Add: Revenue Recognised out of AAD		1.10	1.10	0.93
		2296.83	2296.83	2190.61
Income from Short Term Open Access Consultancy, Project Management and Supervision Fees		33.84	33.84	
Revenue from Telecom		127.96	127.96	37.08
Reimbursement of RLDC Expenses	27.90	26.54	26.54	7.40
	27.90	2485.17	2513.07	2263.03

Schedule 20 - Provisions written Back

(Rupees in Crores)				
Description	RLDC	Transmission & others	For the Year Ended 31st March, 2005	For the Year Ended 31st March, 2004
Doubtful Debts(Anticipated reduction in tariff by CERC)		-	-	116.49
Interest difference on Bonds		-	-	55.67
Others		1.24	1.24	0.73
		1.24	1.24	172.89



Schedule 21 - Other Income

Description	RLDC	Transmission & others	(Rupees in Crores)	
			For The Year Ended 31st March, 2005	For The Year Ended 31st March, 2004
Dividend		0.96	0.96	
Interest From Govt. Securities				
- 8.5% Tax Free Bonds		145.78	145.78	240.49
- Taxable Bonds [TDS Rs 0.25 crore (Previous year Rs. 1.50 Crore)]		5.44	5.44	6.09
Loan to State Govt. in settlement of dues from Customers		27.40	27.40	18.49
PD A/c from GOI		26.03	26.03	11.36
Indian Banks [TDS Rs 3.15 crore (Previous Year Rs. 0.18 crore)]	1.12	6.24	7.36	1.05
Foreign Banks		0.11	0.11	0.03
Others	0.49	7.71	8.20	10.19
	1.61	218.71	220.32	287.70
Profit on fixed assets Sold		0.01	0.01	0.02
Deferred Income (Transferred from Grants-in-aid)		17.27	17.27	16.31
Short Term Open Access-Other Charges	11.33		11.33	
Transfer from Insurance Reserve on A/c of Losses of Fixed Assets		1.08	1.08	0.98
Lease Income-State Sector ULDC		47.05	47.05	53.67
Reimbursement from Joint Venture Companies		0.22	0.22	3.52
Surcharge		18.62	18.62	6.98
Hire charges for equipments		0.35	0.35	1.18
Miscellaneous income	0.04	13.21	13.25	11.96
	12.98	317.48	330.46	382.32
Less: Income transferred to incidental expenditure during construction-Schedule 27(E)		13.49	13.49	12.49
TOTAL	12.98	303.99	316.97	369.83

Schedule 22 - Employees' Remuneration and Benefits

Description	RLDC	Transmission & others	(Rupees in Crores)	
			For The Year Ended 31st March, 2005	For The Year Ended 31st March, 2004
Salaries, wages, allowances & benefits	15.29	229.66	244.95	250.00
Contribution to provident and other funds	2.27	35.42	37.69	38.69
Welfare expenses	2.53	39.33	41.86	43.08
	20.09	304.41	324.50	331.77
Less: Transferred to Incidental Expenditure during Construction-Schedule 27(A)		93.07	93.07	90.72
	20.09	211.34	231.43	241.05
Less: Recoverable from MOP on account of APDRP		4.25	4.25	5.76
	20.09	207.09	227.18	235.29



Schedule 23 - Transmission, Administration and other Expenses

(Rupees in Crores)

Description	RLDC	Transmission & others		For The Year Ended 31st March, 2005	For The Year Ended 31st March, 2004
Repair & Maintenance					
Buildings	0.40	9.48		9.88	8.78
Plant & Machinery					
- Sub Station	0.27	26.63	26.90		23.99
- Transmission lines		12.98	12.98		10.98
Construction equipment		0.10	0.10		0.05
Others	0.24	8.39	8.63		2.83
	0.51	48.10		48.61	37.85
Power charges	1.35	34.46	35.81		30.44
Less: Recovery from contractors		0.21	0.21		0.17
	1.35	34.25		35.60	30.27
Stores & spares consumed		0.01		0.01	0.01
Water charges	0.06	0.32		0.38	0.23
Right of Way charges(Telecom)		0.24		0.24	0.52
	2.32	92.40		94.72	77.66
Training & Recruitment expenses	0.06	3.77	3.83		2.32
Less: Fees for training and application		0.25	0.25		0.32
	0.06	3.52		3.58	2.00
Legal expenses	0.03	4.43		4.46	1.61
Professional charges(Including TA/DA)	0.01	1.56		1.57	0.90
Consultancy expenses(Including TA/DA)		0.44		0.44	0.52
Communication expenses	1.48	7.40		8.88	8.03
Travelling & Conv.exp.(excluding foreign travel)	1.09	29.85	30.94		30.37
Foreign travel	0.03	4.26	4.29		1.57
	1.12	34.11		35.23	31.94
Tender expenses		2.19	2.19		2.52
Less : Sale of tenders		1.06	1.06		0.92
		1.13		1.13	1.60
Remuneration to auditors					
Audit Fees		0.06	0.06		0.06
Tax Audit Fees		0.02	0.02		0.02
In Other Capacity		0.18	0.18		0.12
Out of pocket Expenses	0.02	0.33	0.35		0.26
	0.02	0.59		0.61	0.46
Advertisement and publicity		2.86		2.86	4.03
Printing and stationery	0.14	3.22		3.36	3.02
EDP hire and other charges	0.20	1.22		1.42	1.15
Entertainment expenses	0.03	0.58		0.61	0.99
Brokerage & Commission		0.04		0.04	0.05
Donations		1.10		1.10	
Research & Development expenses		5.03		5.03	0.21
Rent	0.02	4.54		4.56	5.61
Miscellaneous expenses	0.25	12.25		12.50	11.46



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

(Rupees in Crores)

Description	RLDC	Transmission & others	For The Year Ended 31st March, 2005	For The Year Ended 31st March, 2004
Security Expenses	0.62	16.59	17.21	15.98
Hiring of Vehicle	0.24	21.23	21.47	18.59
Insurance		12.68	12.68	27.51
Rates and taxes	0.06	12.95	13.01	14.48
Non operating expenses		0.28	0.28	0.43
Expenses for Guest House	0.02	0.86	0.88	0.72
Less : Income from Guest House		0.21	0.21	0.06
	0.02	0.65	0.67	0.66
	4.30	148.40	152.70	151.23
	6.62	240.80	247.42	228.89
Less: Transferred to Incidental Expenditure during Construction-Schedule 27(B)		49.19	49.19	43.00
	6.62	191.61	198.23	185.89
Less: Recoverable from MOP on account of APDRP		1.91	1.91	2.22
	6.62	189.70	196.32	183.67
Loss on Disposal/Write off of Fixed Assets	0.02	0.98	1.00	1.28
Corporate Expenses allocated to RLDCs	2.57	-2.57		
TOTAL	9.21	188.11	197.32	184.95
Stores & spares consumption included in repair and maintenance		12.64	12.64	12.34

Schedule 24 - Provisions

(Rupees in Crores)

Description	For The Year Ended 31st March, 2005	For The Year Ended 31st March, 2004
Shortage in Stores	0.12	
Doubtful debts loans and advances	59.73	17.98
Doubtful Insurance Claims	1.10	
Doubtful Advances for Construction	4.47	
Others	0.16	
TOTAL	65.58	17.98

Schedule 25- Interest and Finance Charges

(Rupees in Crores)

Description	RLDC	Transmission & others	For The Year Ended 31st March, 2005	For The Year Ended 31st March, 2004
Interest on Loan from				
Government of India		10.34	10.34	116.24
Indian Banks, Financial Institutions & Corporations		194.71	194.71	160.10
Foreign Banks and Financial Institutions		178.99	178.99	172.10
Secured/Unsecured redeemable Bonds		443.66	443.66	404.09
Others		0.55	0.55	
		828.25	828.25	852.53



Schedule 25- Interest and Finance Charges (Contd.)

Description	RLDC	Transmission & others	(Rupees in Crores)	
			For The Year Ended 31st March, 2005	For The Year Ended 31st March, 2004
Less: ERV as adjustment to borrowing cost		6.95	6.95	
		<u>821.30</u>	<u>821.30</u>	<u>852.53</u>
Finance Charges				
Rebate to Customers	0.26	45.22	45.48	56.35
Incentive to SEBs under Securitisation		78.41	78.41	177.49
Commitment charges		6.86	6.86	8.39
Foreign Exchange Rate Variation		0.16	0.16	0.16
Other finance charges	0.30	46.23	46.53	57.66
	<u>0.56</u>	<u>176.88</u>	<u>177.44</u>	<u>300.05</u>
	0.56	998.18	998.74	1152.58
Less: Transferred to Incidental Expenditure during - Construction - Schedule 27 (D)		190.05	190.05	161.62
TOTAL	<u>0.56</u>	<u>808.13</u>	<u>808.69</u>	<u>990.96</u>

Schedule 26 - Prior Period Adjustment (Net)

Description	RLDC	Transmission & others	(Rupees in Crores)	
			For The Year Ended 31st March, 2005	For The Year Ended 31st March, 2004
Income				
Depreciation written back				5.48
Transmission charges		10.25	10.25	7.92
ERV as adjustment to borrowing cost		30.85	30.85	
Others		2.87	2.87	8.22
		<u>43.97</u>	<u>43.97</u>	<u>21.62</u>
Expenditure				
Power charges		0.80	0.80	0.99
Rates and taxes		0.03	0.03	0.08
Insurance				1.13
Depreciation		3.51	3.51	5.38
Transmission charges written back on account of revision of tariff		0.48	0.48	11.90
Interest		1.03	1.03	15.77
Increase in depreciation cost due to ASI I/ASI6		1.03	1.03	-
Bonds interest written back			-	16.78
Surcharge written back			-	4.38
Others	0.26	10.64	10.90	7.97
	<u>0.26</u>	<u>17.52</u>	<u>17.78</u>	<u>64.38</u>
Prior period expenditure/(income)(Net)	0.26	-26.45	-26.19	42.76
Less: Transferred to Incidental Expenditure during Construction - Schedule 27		1.24	1.24	0.75
	<u>0.26</u>	<u>-27.69</u>	<u>-27.43</u>	<u>42.01</u>



Schedule 27 - Incidental Expenditure During Construction

(Rupees in Crores)

Description	For the Year Ended 31st March, 2005	For the Year Ended 31st March, 2004
A. Employees Remuneration & Benefits		
Salaries, wages, allowances and benefits	70.52	69.01
Contribution to provident and other funds	10.40	9.88
Welfare expenses	12.15	11.83
Total (A)	93.07	90.72
B. Other Expenses		
Repairs and Maintenance		
Buildings	2.62	2.01
Construction equipment	0.09	0.03
Others	1.49	1.36
	4.20	3.40
Power charges	3.43	2.45
Less: Recovered from contractors	0.12	0.03
	3.31	2.42
Water charges	0.03	0.04
Legal expenses	1.73	0.80
Professional charges	0.44	0.38
Consultancy expenses	0.80	0.35
Communication expenses	3.21	2.68
Travelling & Conv.exp. (Including Foreign Travel)	14.68	11.77
Tender expenses	1.55	1.80
Less: Income from sale of tenders	0.66	0.63
	0.89	1.17
Payment to Auditors	0.32	0.26
Advertisement and Publicity	1.21	2.45
Printing and stationery	1.43	1.32
EDP hire and other charges	0.56	0.46
Entertainment expenses	0.27	0.46
Brokerage and commission	0.01	0.01
Rent	1.15	2.18
Miscellaneous expenses	5.71	5.44
Security Expenses	2.22	1.52
Hiring of Vehicles	6.25	4.98
Insurance	0.12	0.21
Rates and taxes	0.56	0.60
Guest House Expenses	0.15	0.11
Less: Income from guest house	0.08	0.01
	0.07	0.10
Non Operation Expenses	0.02	
	49.19	43.00
Total(B)	49.19	43.00



Schedule 27 - Incidental Expenditure During Construction (Contd.)

(Rupees in Crores)

Description	For the Year Ended 31st March, 2005	For the Year Ended 31st March, 2004
Prior Period adjustment (net)	1.24	0.75
Total (including prior period) (Includes amount transferred to DRE)	50.43	43.75
C. Depreciation	5.26	4.40
D. Interest and Finance Charges		
Interest on Loans from		
Government of India		
Indian Banks, Financial Institutions and Corporations	21.31	24.58
Foreign Banks and Financial Institutions	21.75	15.52
Secured/Unsecured Redeemable Bonds	131.71	86.41
	174.77	126.51
Finance Charges		
Commitment charges	6.64	7.16
Other Finance Charges	8.64	27.95
	15.28	35.11
Total (D)	190.05	161.62
E. Less: Other Income		
Interest from		
Indian banks	0.03	0.88
Foreign banks	0.09	0.03
Others	12.27	6.46
Sub-Total	12.39	7.37
Miscellaneous income	0.96	5.12
Hire charges	0.14	
Total (E)	13.49	12.49
GRAND TOTAL (A+B+C+D-E)	325.32	288.00



SCHEDULE 28 : NOTES ON ACCOUNTS

1. The Transmission Systems situated in Jammu and Kashmir associated with National Hydroelectric Power Corporation Ltd. (NHPC) have been taken over by the Company w.e.f. 01.04.93 as mutually agreed upon with NHPC pending completion of legal formalities.
2. The Regional Load Despatch Centres (RLDCs) of Central Electricity Authority were transferred to the Company (along with associated manpower) during the earlier years as per the orders of Ministry of Power, Government of India. The Assets of RLDCs are being used by the company pending transfer of ownership and determination of cost of assets so taken over.
3.
 - a) The land owned by the Company has been classified into freehold and leasehold to the extent possible based on available documentation and the balance has been shown as unclassified.
 - b) In certain cases including the entire land in state of Jammu & Kashmir, the conveyancing of title to the freehold land and execution/registration of lease agreement (value not ascertained) in favour of the company is pending completion of legal formalities.
 - c) Leasehold land includes Rs.7.64 crore (previous year Rs.7.64 crore) towards cost of land acquired in Katwaria Sarai, New Delhi. As the land is acquired on perpetual lease and does not have a limited useful life, no depreciation is being charged.
 - d) Value of buildings includes Rs. 7.27 crore (previous year Rs.7.27 crore) for 28 flats at Mumbai, for which registration in favour of the company is pending.
 - e) Freehold land includes Rs. 46.04 crore (previous year Rs. 46.04 crore) for land acquired for Corporate Office / Residential Complex at Gurgaon for which transfer deed in favour of the company is yet to be executed.
 - f) Freehold land includes Rs. 6.62 crore (Previous year Rs. 7.65 crore) and Rs. 0.58 crore (previous year Rs. 0.58 crore) for switchyards at Faridabad and Kayamkulam Power Station respectively for land which are yet to be transferred in company's name by NTPC.
4. Pending reconciliation, materials amounting to Rs. 15.00 crore (previous year Rs.6.93 crore) in commissioned lines is shown as construction stores lying with contractors.
5. Fixed Assets include company's share of Rs.5.62 crore (previous year Rs.5.62 crore) in common services and facilities of 400 KV sub stations of Uttar Pradesh State Electricity Board (UPSEB) and Rajasthan State Electricity Board (RSEB) pending execution of formal agreements for joint ownership.
6.
 - a)
 - (i) Pursuant to ASI 10 issued by the ICAI on AS 16 regarding 'Borrowing Costs', interest cost for the year is adjusted by Exchange Rate Variation gain (to the extent it does not exceed domestic borrowing cost) amounting to Rs. 5.65 crore (net of amount capitalised for the construction period) towards loan liabilities attributable to fixed assets not acquired from outside India. Accordingly gain of Rs 30.85 crore (net of amount capitalised for the construction period) pertaining to the earlier years has been shown as Prior Period Item in the Profit & Loss account.
 - (ii) An amount of Rs. 61.55 crore (previous year - Rs.145.79 crore towards exchange rate variation gain) being remaining exchange rate variation loss has been adjusted in the respective carrying amount of Fixed Assets / Capital Work in Progress.
 - b) Other Finance charges for the year include an amount of Rs. 0.19 crore (previous year-Rs.0.04 crore) being the exchange rate variation loss on Current Assets. Other Income for the year includes an amount of Rs. 0.08 crore (previous years - Rs. 5.05 crore) 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 and Advance from customers are subject to reconciliation/confirmation except in certain 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 crore and placed a deposit of Rs. 110.80 crore with them (net of front -end fee of Rs.9.20 crore) as a condition of the same contract CANFINA defaulted on deposit repayment after making repayment of Rs. 16.80 crore. Pursuant to such default in 1993-94, the company forfeited bonds worth Rs.103.20 crore against deposit of Rs.94 crore and write-back of front-end fee Rs. 9.20 crore. Subsequently, during 1994-95, the company restored deposits of Rs. 94 crore by credit to Capital Reserve in accordance with legal advice.
 - b) During 1998-99, on maturity of Rs. 16.80 crore worth of bonds not forfeited, the company repaid Rs.1.03 crore to third parties duly recognised by the company as holders, and in exercise of its lien on balance Rs.15.77 crore, set it off against deposits with CANFINA.



- c) The company has neither accounted for interest income of Rs.9.39 crore (previous year Rs.9.39 crore), cumulative 135.87 crore on deposit with CANFINA, nor has accounted for cumulative interest of Rs. 18.76 crore payable upto maturity on bonds worth Rs.15.77 crore which were set-off against deposit with CANFINA in the year 1998-99.
- d) An ad hoc provision of Rs. 50 crore 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)

During the year, pursuant to the decision of Hon'ble Supreme Court of India, in the pending matter of bona fide owners of the bonds issued in earlier years, the company has paid a sum of Rs. 0.51 crore (including interest of Rs. 0.31 crore) to one of such bona fide owners. The entire amount so paid (including principal value of the bond) has been charged to Profit & Loss Account.

- 9. Share Capital Deposit of Rs. 38.81 crore (previous year Rs. 38.81 crore) represents the value of shares to be allotted against purchase consideration payable to Government of India for ex-NHPC lines.
- 10. Cash & Bank Balance includes Rs. 13.10 crore (previous year Rs.8.33 crore) on account of deduction of Tax at Source on perquisites to employees as per the provisions of the Income Tax Act, 1961 and deposited in a separate bank account as per Orders of the Hon'ble Kolkata High Court.
- 11. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances and payments) is Rs. 5048.43 crore (previous year Rs. 2305.01 crore).
- 12. No payment is due for more than 30 days in respect of the purchases / services made from small scale/ancillary industries.
- 13. No provision has been made for tax demands amounting to Rs. 208.59 crore (previous year Rs. 132.21 crore) and other demands (amount not ascertainable), for which appeals / litigation are pending, and the same are shown as Contingent Liabilities.
- 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 for the block period April, 2001 to March 2004 have been followed by the company. During the year final tariff orders for some of the transmission lines/systems have been issued by CERC and accordingly the transmission income for the aforesaid block period has been recalculated and necessary adjustment has been carried out. However, the final tariff orders of certain transmission lines/systems are still pending.
 - b) CERC, as empowered under Electricity Act 2003, has notified tariff norms for the block period 2004-2009 which are followed during the year for recognition of income.
 - c) Transmission income from NER constituents and other customers in NER has been accounted at Rs.179.19 crore (Previous year Rs.144.52 crore) @ 35 paise per unit as frozen by CERC up to 31.3.2004. The same tariff @ 35 paise has been allowed by CERC to be continued vide its order dated 16/01/2004 for the year 2004-05 also.
 - d) Transmission charges to the extent of Rs.12.09 crore from NER constituents/generators has not been accounted for though the same is billed pursuant to CERC order dated 06.09.2004 (on higher of scheduled or actual drawl of power/excess of injected scheduled power), in view of uncertainty involved in settlement as the amount billed has been protested by some of the constituents before CERC.
 - e) Pending final approval of fees and charges in respect of RLDCs, the same has been accounted for on the same basis as in earlier years, in accordance with the order of CERC dated 6th April 2004.
- 15.
 - a) During the year the Company has continued to provide depreciation at the rates notified for the purpose of recovery of tariff, by Central Electricity Regulatory Commission (a body constituted under erstwhile Electricity Regulatory Commission Act, 1998 and recognised under the Electricity Act, 2003) which are different from the rates specified under Companies Act, 1956. The issue of charging depreciation at rates different from the rates specified under Companies Act is pending for disposal with Govt. of India. Since CERC as a Regulatory Commission by virtue of Section 76 of the Electricity Act, 2003, has notified the aforesaid rates, the same are considered appropriate for charging depreciation for the year. However, by charging depreciation at the aforesaid rates the depreciation charge for the year is lower by Rs. 390.02 Crore (Previous year Rs.404.56 crore) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.
 - b) Further the company has been providing depreciation in accordance with the relevant accounting policy in respect of the assets for which rates are not specified by the CERC/competent government as stated above.
- 16. Certain accounting policies/methods have undergone change during the year. The impact of change in accounting policies, on the accounts for the year, is as under:
 - a) During the year method of creation of Debenture Redemption Reserve (DRR) has been reviewed pursuant to the interpretation



- of the relevant circular of Department of Company Affairs and accordingly DRR has been created to the extent of 25% of the amount to be redeemed in each year by equally spreading the amount over the number of years before the year of maturity for each STRPP. This change in method has resulted in additional appropriation towards DRR of Rs.289.13 crore.
- b) Hitherto, Exchange Rate Variation arising on loans taken for the purpose of acquiring fixed assets were being adjusted in carrying cost of respective fixed assets. During the year, the company has considered the exchange rate variation from 01.04.2000 (to the extent not exceeding domestic borrowing cost and pertaining to the loans contracted after 1.4.2000 in respect of the assets not acquired from outside India), as a part of Borrowing Cost and is shown as an adjustment to interest cost in Profit & Loss Account for the year in line with para 4(e) read with ASI 10 of Accounting Standard- 16 on "Borrowing Costs". The remaining exchange difference, if any, continued to be adjusted, in accordance with the provisions of Accounting Standard-11 (Revised 1994) 'Accounting for the Effects of Changes in Foreign Exchange Rates' in the respective carrying amount of the relevant assets.
- Consequent upon such change exchange rate variation as referred above included in Gross Block of the fixed assets till 31.3.2004 amounting to Rs. 30.85 crore has been reversed along with accumulated depreciation thereon amounting to Rs. 1.03 crore with the resultant effect thereof in decrease in interest cost and increase in depreciation amounting to Rs. 30.85 crore and Rs.1.03 crore respectively under Prior Period Adjustments(Net)
- c) Since no loan transactions are contracted after 1.4.2004, AS-11 (Revised 2003) 'The Effects of Changes in Foreign Exchange Rates' is not applicable during the year.
- d) Hitherto the company has been creating self insurance reserve towards future losses by charging the amount to the Profit & Loss Account under the head Insurance. Accounting Standard -29 has become applicable w.e.f. 1.4.2004 and accordingly the amount towards self insurance has been shown as an appropriation in the Profit & Loss account. This change in the practice has resulted in increase of profit by Rs.17.23 crore during the year.
17. Some of the beneficiaries have not reimbursed the Income Tax recovery billed for the period up to 31.03.2005. Considering this aspect as significant uncertainty of recovery, Income- tax recovery billed to such beneficiaries amounting to Rs.1.41 crore (Grossed up Rs.1.53 crore) (previous year Rs.1.41 crore (Grossed up Rs.1.53 crore)) has not been accounted for.
18. Pending finalisation of Memorandum of Understanding with Government of India, the expenditure amounting to Rs. 1.42 crore incurred for Kargil (Leh) and Afghanistan projects has been shown recoverable from GOI.
19. Other Income includes Rs. 17.53 crore (previous year- Rs. 16.31 crore) being the amount transferred from Grants- in Aid (included under "Reserves & Surplus") as per Accounting Policy No. 2.1.
20. a) In continuation of the implementation of the Government of India scheme for one time settlement of the dues of SEBs (including surcharge) Government of National Capital Territory of Delhi (GNCTD) in terms of the Agreement with the Ministry of Power (Govt. of India) has converted Rs. 67.23 crore out of old outstanding dues of DVB/Delhi Transco. Ltd. as long term advance to be paid by the GNCTD along with interest @ 8.5%p.a in addition to Rs. 87.02 crore converted in FY 2003-04 (shown under loans and advances Schedule-14 – Cumulative amount Rs. 154.25 crore). Interest amounting to Rs. 20.00 crore (including interest from 01.10.2001 to 31.03.2004 amounting to Rs.14.29 crore) has been recognized as income during the year. Though the nature of interest is not notified as tax-free by the CBDT, the Company has considered the income as tax-free on the basis of terms of the agreement. In accordance with the securitisation scheme, incentive, for the period from 1.4.2002, amounting to Rs. 11.43 crore on account of loan converted during the year has been charged to the Profit & Loss account.
- b) 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.
21. During the year the company has issued XVI Series of Bonds aggregating to Rs.750 crore. Trust Deed in respect of these bonds has not been executed till the finalization of the financial statement. In accordance with the past practice, the bonds though issued on secured terms, are shown as unsecured.
22. Sundry Debtors include a sum of Rs. 1.67 crore (Previous Year Rs. 36.80 crore) pertaining to business of trading of power carried out by the company which was discontinued w.e.f. 01.01.2002.
23. Impairment analysis of assets of transmission activity of the company by evaluation of its cash generating units, was carried out by a outside agency, and since recoverable amount is more than the carrying amount thereof, no impairment loss is to be recognised in view of AS-28 as at the date of balance sheet. As regards telecom activities of the company the cash generating unit in terms of the Standard is yet to be completed and business plan is in the process of finalisation to ascertain the future cash inflows, the Telecom assets will be considered for impairment afterwards.
24. Development surcharge received during 2003-04 has been adjusted against the dues of the beneficiaries as per CERC order dated 7.4.2005 amounting to Rs. 199.64 crore including interest earned thereon in the designated account.
25. 31286500 equity shares of Powerlinks Transmission Ltd. have been allotted to the company on 01.03.2005 and credited to the Demat Account on 04.04.2005.



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 taken by Director General of Foreign Trade (DGFT) on 22.02.2002 in view of non availability of World Bank loan for the entire supplies in respect of ESI project and for the supplies prior to March 2000 in respect of STP. Consequent upon World Bank agreeing on 18.03.2004 to finance the ESI project, as originally envisaged, and World Bank financing of subsequent supplies of STP, the management is of the opinion that the entire supplies for both the projects become eligible for Deemed Export Benefits.

The matter has been taken up with DGFT and concerned Customs and Excise Authorities for getting refund of the amount paid by the Company to the Authorities in respect of Deemed Exports Benefits. In the meeting taken by DGFT, it has been agreed that since World Bank assistance was made available as originally envisaged, it should be treated as continuation of the old project and procedural delay in claiming the refund may be relaxed considering the peculiar nature of the case.

The matter is under consideration of Department of Revenue, Ministry of Finance. Principal amount of Deemed Exports Benefits paid by the company continues to be included in the capital cost and shall be de-capitalised on refund of the amount or specific orders in this regard. Accordingly, amount refunded during the year to the tune of Rs. 1.48 crore has been decapitalized. However, the liability towards interest is included under contingent liability.

27. During the year company has reviewed the cost of computers in Fixed Assets in order to ascertain cost of softwares therein, which should have been considered as Intangible Assets in terms of AS-26 in the financial year 2003-04. Accordingly a sum of Rs. 0.30 crore towards book value of softwares which are not integral part of the system has been transferred from fixed assets and is debited to Prior Period Expenses.

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

- | | | |
|--------------------------------------|----------------|----------------|
| 1. Amortisation Rate | 30% | |
| 2. Amortisation Method | Straight Line | |
| | As at | As at |
| | 31.03.2004 | 31.03.2005 |
| 3. Gross Carrying Amount | Rs. 7.08 crore | Rs. 4.73 crore |
| 4. Accumulated Depreciation | Rs. 4.19 crore | Rs. 2.83 crore |
| 5. Carrying Amount as at 31.03.2004 | Rs. 2.89 crore | |
| Additions during the year 2004-05 | Rs. 0.78 crore | |
| Amortisation during the year 2004-05 | Rs. 1.77 crore | |
| Carrying Amount as at 31.03.2005 | Rs. 1.90 crore | |
28. During the year the methodology of 'technical estimate of work completed' has been defined & approved by audit committee of the company in their meeting held on 19th April 2005 for accounting the income from consultancy.
29. Disclosure in respect of contingent liabilities as required in AS 29 of 'Provisions, Contingent Liabilities and Contingent Assets':
Contingent Liabilities:
- Contingent Liabilities as stated in Schedule 18 are dependent upon the outcome of court / appellate authorities / out of court settlement, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, disposal of appeals respectively.
 - Reimbursement of outflow in respect of item no. 1 and 2 (limited to Income Tax on core activity only) of Contingent Liability is dependent on the admittance of petition by CERC and in remaining cases no reimbursement is expected.
- There are no cases for disclosure under 'Contingent Assets' as contemplated in the Standard.
30. Information in respect of cost plus contracts, considering the same as consultancy business in view of AS 7 on "Construction Contracts:"
- | | |
|---|--------------------|
| (i) The amount of revenue recognised on cost plus contract work in 2004-05: | Rs. 109.13 crore. |
| (ii) The methods used to determine the contract revenue recognised in the period: 15% of total consultancy fees upto award stage to executing agencies (Out of which 10% upto issue of notices inviting tenders), 85% with progress of work including supplies. | |
| (iii) Cumulative amount of costs incurred on construction contracts | Rs. 679.80 crore. |
| (iv) Cumulative Amount of advance received from customers | Rs. 1326.32 crore. |
| (v) Amount of retention money with customers | Rs. Nil. |
| (vi) Gross amount due from customers for contract work as an asset | Rs. 6.77 crore. |
| (vii) Gross amount due to customers for contract work as a liability | Rs. 506.89 crore. |



31. a) The Company has been providing deferred tax liability after adjusting the amount recoverable from beneficiaries. During the year the company has provided Rs. 44.77 crore as deferred tax liability.
- b) The deferred tax liability of Rs. 182.31 crore upto the year ended 31.03.2004 has been revised by Rs. 13.27 crore and after considering the current year's liability of Rs. 44.77 crore the resultant deferred tax liability as on 31.03.2005 is Rs. 240.35 crore. Major components of deferred tax liabilities and assets are given as under:

Particulars	(Rupees in crores)	
	As on 31.03.2005	As on 31.03.2004
Deferred Tax Liability		
Towards Fixed Assets (Net)	251.29	196.02
	<u>251.29</u>	<u>196.02</u>
Deferred Tax Asset		
Transfer to Self Insurance Reserve	0.95	1.42
Income during Construction	2.41	2.08
Retirement Benefits	1.92	0.72
Provisions	5.66	9.49
	<u>10.94</u>	<u>13.71</u>
Net Deferred Tax Liability	<u>240.35</u>	<u>182.31</u>

- 32 In view of the opinion of Expert Advisory Committee of ICAI, a sum of Rs. 0.55 crore towards provision of interest made under Income Tax Laws has been included in Others – Interest on Loans in Schedule No. 25 of "Interest and Finance Charges".
33. a) Consequent upon diversification into Telecom business, the company has incurred capital expenditure of Rs. 853.67 crore upto 31.03.2005 (previous year Rs. 636.15 crore) which has been included under Gross Block, Capital Work in Progress, Construction Stores and Advances. Out of this, Rs. 369.40 crore (previous year Rs. 50.11 crore) have been capitalised during the year on commissioning of telecom links. Operation of telecom links has resulted in net loss during the year of Rs. 32.67 crore (previous year Rs. 25.20 crore).
- b) Revenue expenditure of Rs 1.02 crore 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.
34. Loans & Advances (Schedule 14) include Lease Receivables representing the present value of future lease rentals receivable on the finance lease transactions entered into by the company with the constituents in respect of State Sector ULDC, as per the Accounting Standard (AS) – 19 issued by the Institute of Chartered Accountants of India.

The reconciliation of the lease receivables is as under :

Particulars	(Rupees in crores)	
	Amount As on 31.03.2005	Amount As on 31.03.2004
Gross value of assets acquired & leased upto 31.03.2004	686.43	703.41
Less : Gross value of assets acquired last year is adjusted on A/c of revision of cost.	0.00	26.70
Add : FERV from the date of commercial operation to 31.03.2004	<u>6.38</u>	<u>0.00</u>
Revised Gross value of the assets upto 31.03.2004	692.81	676.71
Less : Capital recovery provided upto 31.03.2004	42.35	15.51
Capital recovery outstanding as on 31.03.2004	650.46	661.20
Add: Gross Value of Assets capitalised and Leased during the year	0.00	9.72
Less : Capital Recovery for the current year	<u>30.38</u>	<u>26.84</u>
Lease Receivables as on 31.03.2005	620.08	644.08



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

(Rupees in crores)

Particulars	Amount As on 31.03.2005	Amount As on 31.03.2004
Gross Investment in Lease	935.27	1038.15
Unearned Finance Income	315.19	394.07
Present Value of Minimum Lease Payment (MLP)	620.08	644.08

Gross Investment in Lease and Present Value of Minimum Lease Payments Receivables as at 31st March, 2005 for each of the periods are as under:

(Rupees in crores)

Particulars	Gross Investment in lease		Present Value of MLP	
	2004-05	2003-04	2004-05	2003-04
Not later than one year	76.09	78.07	32.63	28.78
Later than one year and not later than five years	304.34	312.30	156.52	140.20
Later than five years	554.84	647.78	430.93	475.10
Total :	935.27	1038.15	620.08	644.08

The unearned finance income as on 31.03.2005 is Rs. 315.19 crore (previous year Rs. 394.07 crore).

35. Segment Reporting

(Rupees in crores)

	Business Segments						Total	
	Transmission		Consultancy		Others		Current Year	Previous Year
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year		
Revenue:								
Revenue from Operations / Reimbursement of RLDC Expenses	2330.67	2190.61	127.96	37.08	54.44	35.34	2513.07	2263.03
Segment result	829.14	717.89	103.05	23.15	-22.34	-26.79	909.85	714.25
Unallocated Corporate interest and other income							1.37	0.32
Unallocated corporate expenses, interest and finance charges							2.85	0.28
Income tax (Net)							122.85	- 33.91
Profit after Tax							785.52	748.20
Other information:								
Segment Assets	21919.38	19592.71	51.49	102.09	958.25	706.05	22929.12	20400.85
Unallocated Corporate and other assets							1002.46	1283.84
Total Assets							23931.58	21684.69
Segment Liabilities:	1149.60	1025.81	578.37	383.48	160.40	99.14	1888.37	1508.43
Unallocated Corporate and other liabilities							685.67	694.08
Total liabilities							2574.04	2202.51
Depreciation	616.64	592.59	0.06	0.01	25.56	13.82	642.26	606.42

a) Business Segments

The Company's principal business is transmission of bulk power across different States of India. However, consultancy business is also treated as a reportable segment in accordance with para 27 (b) of AS-17 "Segment Reporting". Other business includes 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, construction work-in-progress, construction store and advances and current assets, loans and advances. Segment liabilities include current liabilities and provisions.

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

36. A. Related Party Transactions

a) Related parties:

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

Investment in equity shares during the year 2004-05 Rs.31.29 crore (previous year Rs. 64.26 crore), Cumulative Investment Rs. 95.60 crore (previous year Rs. 64.31 crore)

Reimbursement of expenses pertaining to Joint venture Rs. 0.23 crore (previous year Rs. 5.81 crore).

ii) Subsidiary : **Bina Dehgam Transmission Company Limited.**

Investment in Equity shares during the year NIL. Cumulative investment Rs. 0.05 crore. Outstanding balance at end of the year Rs. 0.50 lacs. Certificate of Commencement of Business not yet received.

iii) Directors:

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

* Superannuated on 28th February, 2005

Assumed charge w.e.f. 16th September, 2004

Remuneration to whole time Directors including Chairman & Managing Director is disclosed in Note No. 41.

Advances due from whole time Directors including Chairman and Managing Director Rs. 0.03 crore.

b) 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 crore 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.

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

	As at 31.3.2005	As at 31.3.2004
<u>Numerator</u>		
Profit after tax as per Profit & Loss Account	Rs. 785.52 crore	Rs. 748.20 crore
<u>Denominator</u>		
Number of equity shares	31652486	30352486
Shares allotted during the year	1300000	Nil
Weighted Average number of equity shares for calculating Basic earning per share	30576870	30352486
Weighted Average number of equity shares for calculating Diluted earning per share	30964990	30740586
Basic earning per share (Rs. / per share)	257	247
Diluted earning per share (Rs. / per share)	254	243



38. 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 | - | During the year Shares worth Rs. 64.31 crore of the Joint Venture Company are pledged with the lenders of the Joint Venture Company. Shares worth Rs. 31.29 crore have been pledged after the date of Balance-Sheet. |
| d. Capital commitment | - | Participation of equity upto Rs. 161.65 crore. |
| e. Disclosure of information related to and included in Assets/liabilities & reimbursement of expenses | - | Rs. 95.60 crore equity contribution in Powerlinks Transmission Ltd. shown under 'Investments'.
Rs. 0.23 crore Reimbursement of Development Expenses. |

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

	No.of Shares
PTC India Limited (formerly Power Trading Corporation of India Ltd.)	6
Powerlinks Transmission Ltd.	3
Bina Dehgam Transmission Co. Ltd.	6

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

41. 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	0.36	0.33
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	0.03	0.04
Other benefits	0.15	0.17

- 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.

42. a) **VALUE OF IMPORTS CALCULATED ON CIF BASIS :**

	(Rupees in crores)	
	Current Year	Previous year
i) Capital Goods	226.85	401.09
ii) Spare Parts	10.46	19.36



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

	(Rupees in crores)	
	Current Year	Previous year
i) Professional and Consultancy fees	1.25	6.04
ii) Interest	203.60	197.22
iii) Others	13.43	30.13

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

	(Rupees in crores)			
	%	Current Year	%	Previous Year
i) Imported	18.91%	2.39	2.51%	0.31
iii) Indigenous (Including fuel)	81.09%	10.25	97.49%	12.03

d) EARNINGS IN FOREIGN EXCHANGE :

	(Rupees in crores)	
	Current Year	Previous year
Interest	0.11	0.03

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE.

i) REGISTRATION DETAILS :

Registration No.	55-38121
State Code	55
Balance Sheet Date	31st March, 2005

ii) CAPITAL RAISED DURING THE YEAR

	(Rupees in crores)
Public Issue	NIL
Rights Issue	NIL
Private Placement (Issued to Govt. of India)	130.00
Bonus Issue	NIL

iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

	(Rupees in crores)
Total Liabilities	25843.69
Total Assets	25843.69
Sources of funds	
Paid up Capital	3204.06
Reserves and Surplus	5826.87
Secured Loans	8953.63
Unsecured Loans	4434.41
Advance against Depreciation	610.33
Deferred Tax Liability	240.35
Application of Funds	
Net Fixed Assets	16295.52



Capital Work-in-Progress (including Construction, Stores and Advances)	5024.79
Investments	1882.42
Net Current Assets	37.23
Miscellaneous Expenditure	29.69

iv) **PERFORMANCE OF COMPANY**

	(Rupees in crores)
Turnover/Income	2513.07
Other Income (including Transfer from Grants in Aid)	318.21
Total expenditure	1922.91
Profit before Tax	908.37
Profit after MAT and Deferred tax	785.52
Earning per share (Basic) (Rs.)	257.00
Dividend Amount	184.00

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

(J. Sridharan)
Executive Director (Finance)

(U.C. Misra)
Director (Personnel)

(R.P. Singh)
Chairman and Managing Director

As per our report of even date

For O.P. Bagla & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

For B.M. Chatrath & Co.
Chartered Accountants

(P.R. Paul)
Partner

For Nataraja Iyer & Co.
Chartered Accountants

(E.S. Ranganath)
Partner

Place : New Delhi
Date 18th July, 2005



AUDITORS' REPORT

To
The Members,
Power Grid Corporation of India Limited,

1. We have audited the attached Balance Sheet of Power Grid Corporation of India Ltd. as at March 31, 2005, and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Company is governed by the Electricity Act, 2003, 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 said Act, continued to be applied by the Company while preparing the financial statements. Further, the provisions of the said Act read with the rules thereunder, have prevailed wherever the same have been inconsistent with the provisions of the Companies Act, 1956.
4. As required by the Companies (Auditors' Report) Order, 2003, read with Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
5. The impact of change in accounting policies/methods during the year are as follows:-
 - i) During the year the company has created Debenture Redemption Reserve (DRR) to the extent of 25% of the amount to be redeemed in each year by equally spreading the amount over the number of years before the year of maturity instead of creation of reserve to the extent of 25% of the bond amount to be redeemed in the next financial year as hitherto followed. This change in method has resulted in additional appropriation towards DRR of Rs.289.13 crore with the corresponding effect thereof in balance of profit carried over to the balance sheet. (Refer Note No16(a))
 - ii) Hitherto, the entire amount of Exchange Rate Variation arising on loans taken for the purpose of acquiring fixed assets was being adjusted in carrying cost of respective fixed assets. During the year, the company has considered the exchange rate variation, to the extent not exceeding domestic borrowing cost (for the period from 01.04.2000 and to the extent it pertains to the loans contracted after 1.4.2000 in respect of the assets not acquired from outside India), as a part of Borrowing Cost.

Consequent upon such change exchange rate variation as referred above included in Gross Block of the fixed assets till 31.3.2004 amounting to Rs.30.85 crores has been reversed alongwith accumulated depreciation thereon amounting to Rs. 1.03 crore with the resultant effect thereof in decrease in interest cost and increase in depreciation amounting to Rs. 30.85 crore and Rs. 1.03 crore respectively under Prior Period Adjustments(Net) thus increasing the profit for the year by Rs. 29.82 crore (Refer Note No16(b))
 - iii) Hitherto the company has been creating self insurance reserve by charging the same to the Profit & Loss Account. Accounting Standard -29 has become applicable w.e.f. 1.4.2004 and accordingly the amount towards self insurance has been shown as a appropriation in the Profit & Loss account. This change in the practice has resulted in increase of profit by Rs.17.23 crore during the year. (Refer Note No16(d))
6.
 - i) **Restoration of deposits of Rs. 94 crores, as referred to in Note no. 8.1(a) in Schedule 28, 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 1(b) in Schedule 28, 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 No.8(1) of Schedule 28).**

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



7. 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-28), 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. 20(b) in Schedule-28), may result in securitization of certain Sundry Debtors retrospectively by issue of Bonds.**
8. Further to our comments in the annexure referred to in paragraph 4 above, we report that:
- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
- c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- d) In our opinion, subject to our observations in paragraph 3 above, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
- e) In pursuance to the notification No. GSR 829(E) dated 17.7.2003, issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of Companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
- f) **Subject to our observations referred in paragraphs 6 and 7 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 28 and Accounting Policies annexed thereto, in so far as these are not inconsistent with the Electricity Act, 2003, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India :
- i) in the case of Balance Sheet, of the state of affairs of the Company as at March 31, 2005.
- 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 Nataraja Iyer & Co.
Chartered Accountants

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

Place : New Delhi
Date : 18th July, 2005



ANNEXURE TO THE AUDITORS' REPORT

RE: POWER GRID CORPORATION OF INDIA LIMITED ANNEXURE REFERRED TO IN PARAGRAPH 4 OF OUR REPORT OF EVEN DATE

1. a) The Company has generally maintained records of Fixed Assets, showing, 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) to iii (g) of paragraph 4 of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems, commensurate with the size of the Company and the nature of its business, with regard to purchase of inventory and fixed assets and income from transmission, telecom and consultancy business. During the course of our audit we have neither come across nor have been informed, of any, continuing failure to correct major weaknesses in the underlying internal control systems.
5. According to the information and explanation given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act 1956, during the year, to be entered in the register maintained under that section. Accordingly Clause (v) (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, 58-AA and other relevant provisions of Companies Act, 1956, and rules framed thereunder, does not arise.
7. The Company has an Internal Audit system. In our opinion, the scope and coverage of Audit are commensurate with the size and nature of its business. However, the compliance and implementation mechanism needs to be further strengthened.
8. The Central Government has prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956 in respect of Transmission & Telecom Operations of the Company. We have broadly reviewed the Cost Records prepared by the Company and are of the opinion that, prima facie, the prescribed records have been made and maintained.
9. a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues with appropriate authorities including Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, custom duty, excise duty and other material statutory dues applicable to the Company and that there are no undisputed statutory dues outstanding as on 31.3.2005 for a period of more than six months from the date they became payable.

As informed the provision of the Employees State Insurance Act are not applicable to the Company. Unclaimed bonds of Rs. 17.00 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 / sales tax / customs duty / wealth tax / service tax / excise duty / cess dues have not been deposited.

Particulars	Amount (Rs. in crore)	Forum Where Pending
Entry Tax	2.34	Appellate Additional Commissioner Commercial Tax, Jabalpur
Education Cess	0.56	Dehgam Nagar Palika, Dehgam
Sales Tax	10.15	J&K State Sales Tax Appellate Tribunal
Sales Tax	26.90	Dy. Commissioner of Sales Tax (Appeal), Jammu, J&K State
Sales Tax	1.66	Hon'ble High Court of Orissa, Bhubneshwar



Income Tax & Interest	13.44	Income Tax Appellate Tribunal, Hyderabad
Income Tax & Interest	31.46	Commissioner of Income Tax (Appeal), Hyderabad
Interest on custom/ Excise duty	61.43	Commissioner of Customs & Excise, Mumbai & Trivendram
Entry tax	7.67	Joint Commissioner of Commercial Tax (Appeal), Patna
Interest on custom/ Excise duty	16.43	Commissioner of Customs & Central Excise, Peetampur & Mumbai
Income Tax & Interest	18.61	Commissioner of Income Tax (Appeals), New Delhi.
Income Tax & Interest	17.94	Income Tax Appellate Tribunal, 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 28 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, 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 share pledge agreement are not, prime facie prejudicial to the interest of the company.
16. In our opinion on an overall basis and according to the information and explanation given to us, the company has applied term loans for the purpose, the loans were obtained during the year.
17. In our opinion, on an overall basis, and according to the information and explanation given to us, the company has not used the funds raised on short term basis for long term investment.
18. The Company has not made any preferential allotment of share to parties and Companies covered in the register maintained under section 301 of the Act during this year.
19. Securities or charge have been created against all the bonds issued by the company except XVI Series of Bonds aggregating to Rs.750 crores issued during the year for which securities or charge has not been created till the finalization of the financial statements.
20. The Company has not raised money by public issue during the year. Accordingly clause 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 Nataraja Iyer & Co.
Chartered Accountants

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

Place : New Delhi
Date : 18th July, 2005



ANNEXURE-I TO THE DIRECTORS' REPORT

Management Discussion and Analysis

Growth in Transmission:

Keeping in view the large incremental capacity addition requirements of 1,00,000 MW in X and XI 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 generation evacuation schemes, strengthening of regional grids, development of an integrated National Grid with flexibility for power transfer from one Region to another and setting up the requisite Load Despatch facilities for real time grid operation.

To translate the mission of creation of a National Grid by the year 2012 into reality, POWERGRID has:

- during the period of three Years of X Plan, completed the stringing of 10,600 Ckt. Kms. of transmission lines.
- the Inter-Regional transfer capacity of 9,500 MW has been established.
- consistently maintained the transmission system availability over 99.5% at par with the International utilities.

POWERGRID's commitment towards construction of National Grid

The target and achievement of POWERGRID during the year 2004-05 have been as under:

Works	Target to achieve excellent rating as per MOU	Achievement	Percentage
Foundation (Nos.)	4844	6390	132%
Tower Erection (Nos.)	5413	6824	126%
Stringing (in Kms.)	3355	4268	127%

As per the MOU signed with the Ministry of Power, a target for stringing of 3,100 Kms have been set for the F Y 2005-06. Till the end of the June, 2005 stringing of 372 Ckms. has already been completed against the target of 231 Ckms. i.e. achievement of 161%.

Opportunities and threats

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

As regards private investment, POWERGRID have taken a number of 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 01.04.2004 to 31.03.2009. 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. Advance against depreciation is 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 01.04.2004 shall be continued. The Commission shall consider the debt-equity in the ratio of 70:30 for the projects for which investment approval is available 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, under the Securitization Scheme, out of the total securitization dues of Rs. 2,095 Crore, Bonds of Rs. 225 Crore are pending for issuance. Post securitization dues (after 30th September, 2001) of Rs. 132 crore are also outstanding. **POWERGRID has realized almost 100% of its Transmission Charges during the Year 2004-05. During the Financial Year 2005-06, till June, 2005 the Company has realized Rs.687 Crore against the actual billing of Rs.658 Crore, with collection growth rate of 104.5%.** Further, during the Year 2004-05, the LC coverage went up to Rs. 245.43 Crore as against of Rs. 219.70 Crore during 2003-04.

Overcoming Construction Challenges

Targets of constructing 60,000 Ckms. transmission lines at various voltages and 75,000 (approx.) transmission towers till 2012 have multi-dimensional challenge. Surveying is important to identify the constraints in erecting towers beforehand since Transmission towers happen to be significant part of Transmission projects. The challenges mainly relate to accessibility, construction feasibility, technical restrictions, conservation of environment and right-of-way mainly because transmission projects run cross-country as opposed to generation projects. POWERGRID has taken following measures to meet the massive task:

- (i) For designing the optimal transmission line route covering multiple locations through topographical variations like hills, rivers, snow and forests and existing infrastructure like buildings, railway lines, gas lines and telecommunication lines, POWERGRID has implemented advance survey techniques like **GIS Mapping and Satellite Imagery** for all new Transmission Systems for route alignment. By the use of GIS, cost and execution time can be contained within the predetermined parameters. For example, the line length of Teesta Transmission System, Kudankulam Transmission System, Neyveli-II Transmission System and Barh Transmission System has been optimized by using GIS Mapping and Satellite Imagery Technique.
- (ii) The Company has also taken up **Vendor Development Programme** for the execution of Tower Packages. Considering the magnitude of transmission line projects to be executed concurrently within tight schedule, it is essential that enhancement of tower contractor base and enlargement of bidding community is taken up effectively to meet the future demand and also to ensure competitive pricing. To achieve this, POWERGRID has undertaken the Vendor Development Programme for Transmission Line Tower packages for developing tower manufacturers as well as civil construction firms/ tower contractors having experience of construction of 110/132 kV lines. The following Projects/ Schemes have already been taken up under Vendor Development Programme:

- **Through Tower Manufacturer Route** - (i) LILO of 400 kV D/C Nellore-Sriperumbdur Transmission Line at an estimated cost of Rs.41.19 crore (Length about 86 kms.), and (ii) 400 kV D/C Malerkotla-Ludhiana Transmission Line at an estimated cost of Rs.40.92 Crore (Length about 118 kms.).
- **Through Civil Construction Firms/ Tower Erectors for 110/132 kV Route** - (i) LILO of 400 kV D/C Vijaiwada-Gazuwaka Transmission Line at an estimated cost of Rs.49.70 crore (Length about 74 kms.), (ii) 400 kV D/C Sipat-Raipur Transmission Line at an estimated cost of Rs.48.41 Crore (Length about 148 kms.), (iii) LILO of 400 kV S/C Kolar-Sriperumbdur Transmission Line at an estimated cost of Rs.30.89 Crore (Length about 40 kms.), (iv) LILO of one circuit of 400 kV D/C Talaguppa-Neelmangala Transmission Line at an estimated cost of Rs.34.64 Crore (Length about 78 kms.), and (v) LILO of one circuit of 400 kV D/C Madurai-Trichy Transmission Line at an estimated cost of Rs.22.05 Crore (Length about 50 kms.).

In addition, 15 nos. new vendors have been identified, assessed and approved by POWERGRID for fabrication and supply of lattice and pipe type structures for substations.

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.

IPMCS

Adoption of **Integrated Project Management and Control Systems (IPMCS)** for total project review, processing of procurement activity in parallel for award along with investment approval etc. **have contributed significantly towards timely implementation of**



projects. About 50 transmission projects costing about Rs.14,000 Crore are currently under implementation and most of the projects are progressing either ahead of schedule or on schedule.

Telecommunication

Apart from its own need, POWERGRID has utilized its large infrastructure of transmission lines and is laying down nation wide Telecom Network of about 19,000 kms. of optical fiber to interconnect 60 major Metros/Cities, rural and unserved areas at a cost of Rs.934 Crore. About 80% of this network was completed in a period of 1½ year from the date of GOI approval in March, 2003. The balance network is expected to be completed by mid of 2005-06. The company has entered into MoUs with major telecommunication players for utilisation of Telecom Network capacity. The Company has obtained Infrastructure Provider-I&II and ISP-Category 'A' License from Government of India.

Business Development

POWERGRID realized more than Rs.122 Crore during FY 2004-05 as against Rs. 37 Crore in FY 2003-04.

In the domestic arena, the Company has secured more than 40 consultancy assignments with total order booking of Rs.140 Crore.

POWERGRID has secured an overseas consultancy assignment from Nepal Electricity Authority (NEA) for the construction of the first 220kV D/C Transmission Line in Nepal from Khimti to Dhalkebar (75 kms.). The Agreement with NEA was signed on 14.07.05. POWERGRID is also providing consultancy to execute the construction of 132kV S/C Transmission Line (60 kms.) from Deothang in Bhutan to Rangia in Assam, India. The Agreement in this regard with Bhutan Power Corporation was signed on 19.07.05. The Company is implementing on a turnkey basis 220 kV Double Circuit Transmission Line from Pul-e-Khumri to Kabul and a new 220/110/20 kV substation at Kabul, in Afghanistan. This project is to be executed at an estimated cost of Rs.478 Crore.

Sub -Transmission

POWERGRID has undertaken implementation of **subtransmission works of Rs. 550 Crore** on bilateral basis in Bihar under phase-I of strengthening schemes.

Grid Performance

During the financial year, the grid performance has largely been improved due to Availability Based Tariff, Free Governor Mode of Operation of generating units, various inter-regional links, RLDCs having State-of-the- Art technology and manning of RLDCs by skilled and experienced personnel. There was no major grid disturbance in any part of the Country during the last 2½ years. In fact, tripping of lines and partial grid disturbances of minor nature in regional grids have come down so significantly as to be reckoned to be a benchmark achievement. Over 98% of the time, the frequency has been maintained in the range of 49 to 50.5 Hz, which is well within the prescribed Indian Electricity Grid Code (IEGC) band. The frequency profile of the system is a clear indicator of the load-generation balance in the Regions.

System availability has been maintained at about 99.74% during the year 2004-05 through deployment of modern Operation & Maintenance techniques at par with International standards.

Attracting Private Participation through Joint Venture Route

The pilot project established between POWERGRID and TATA POWER on Joint Venture route to implement specific Transmission Lines of about 1,200 Kms. associated with Tala HEP in Bhutan, East-North Interconnector and Northern Region Transmission System on Build, Own, Operate and Transfer basis is progressing well. This is the first Private-Public joint venture in Transmission Sector named "Powerlinks Transmission Ltd." Equity infusion to the extent of Rs. 195.10 Crore has already been made by the Joint Venture Partners upto 31st March, 2005. The Revised Project cost is estimated at Rs. 1,612 Crore (based on 1st quarter 2005 price level) taking into account of price variation, quantity revision, change in taxes and duties etc. Revised Cost Estimate has been submitted to the Govt. of India for approval.

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) HEPs. POWERGRID is in discussion with Reliance Energy Limited (REL), the shortlisted party for finalizing the various agreements for implementation of the transmission system on JV route at an estimated project cost of Rs. 800 Crore.

POWERGRID had envisaged the implementation of Western Region System Strengthening Scheme-II (WRSSS-II) through JV Route. The scope of work falling under WRSSS-II had been split into four parts viz A, B, C and D. However, in line with the decision of the CERC and



Project requirements, POWERGRID is in the process of implementing the Projects A and D of the WRSSS-II as its own projects and Projects B & C through Independent Private Transmission Company (IPTC) Route.

Efforts on IPTC Route

The participation of bidders in the process of private sector participation through IPTC Route has not been very encouraging. The implementation of 400kV D/C Bina-Nagda-Dehgam Transmission Lines, taken up by POWERGRID through IPTC Route, could not materialized. Now, 400kV D/C Bina-Nagda-Dehgam Transmission Line is being implemented by POWERGRID as its own project in line with the direction of CERC.

In deference to the decision of the CERC, Projects B and C of the WRSSS-II are proposed to be implemented through IPTC Route, earlier envisaged to be implemented through Joint Venture Route.

Other Initiatives

- Consultancy Venture in Information Technology

POWERGRID implemented Video-Conferencing facility in the capacity of Technical Expert cum Coordinator for Ministry of Power and CPSUs falling under its Administrative control and also successfully completed the first consultancy venture for Delhi Transco Ltd.

- Environment and Social Management

POWERGRID has upgraded its Environmental and Social Policy and Procedures (ESPP) evolved initially in the Year 1998

- e-Bidding

POWERGRID has developed a web based application for e-Bidding enabling online bidding for 'Short Term Open Access' of spare transmission capacity.

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. Adhering to the Corporate Governance norms, the Company has an Audit Committee since January, 1999.

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 within the Organization.

POWERGRID has also, in order to promote healthy environment to enrich the socio-cultural and recreational life, established a Recreation Centre at Gurgaon with Auditorium/ Multiplex, Library, Music Centre, Restaurant / Dinning Room, Swimming pool, Gymnasium and other Indoor games.

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 2004-05**

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.	K.S. Raghunathan	Executive Director(BDD)	B.E. (E&C)	13,41,399	37	16.08.91	60	NTPC
2.	Suresh Kumar Nema	AGM (CMG)	B.E. , MBA	12,71,164	33	19.12.91	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.



ANNEXURE - III TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1999 READ WITH SECTION 217(1) (e) OF THE COMPANIES ACT, 1956.

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken and on hand:

Right from the planning stage to the execution stage of the transmission projects, all efforts are made by POWERGRID for conservation of energy. While finalizing the transmission system for any project, various alternatives are studied and one of the major criteria in selection of final system is lower losses. In fact, lower loss is one of the primary reasons for adoption of 800kV & HVDC alternatives. Accordingly, POWERGRID is planning one of the highest capacity HVDC Bipole from North-Eastern Region to Central India. Also, at design stage of the transmission system, optimization is done so that the losses in the transmission system are minimized. The conductors are selected 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.

B. RESEARCH AND DEVELOPMENT

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

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

Completed Projects:

1. Transmission line route selection and length optimization through modern survey techniques using Satellite Imageries, Total Stations and Computer Aided tower spotting for Teesta Transmission System, Kudankulam Transmission System, Neyveli –II Transmission System has resulted in optimization of route length of these projects.
2. Design finalization for 400kV D/C Pole structure for use in areas of high population density and to ensure aesthetic integration to surrounding environment.
3. Completed in-house design and testing of 14 no. of towers for transmission lines upto 765kV.
4. Reduction in overall cost and land requirement for new substations by adopting various measures like optimization of bay widths of 400kV (27m→24m), 220kV (18m→16m) and 132kV(12m→10.5m), re-designing of Control room building and introducing multistory buildings in Substation Colony.
5. Standardization of lattice and pipe type structures.

Ongoing Projects

1. Several existing Substations in different Regions are being designed for remote operation from nearby Substations so as to reduce the operation cost.
2. Substation Automation is being adopted for all new Substations of POWERGRID. This would result in savings in operational cost and increased operational efficiency.



3. Development of in-house foundation and tower designs for use in on-going transmission line projects.
4. POWERGRID is undertaking development of in-house designs for 400kV & 765kV guyed towers as well as ERS in association with SERC.
5. Existing 400kV D/C Purnea-Siliguri Line and LILLO of Ballabgarh-Dadri 400kV Transmission Line at Maharani Bagh being designed with high temperature endurance special "Invar" conductor (210 deg. C max. conductor temperature) to enhance the capacity of the transmission corridor by about two times.
6. Airborne Laser Terrain mapping (ALTM) is being adopted by POWERGRID for detailed survey in association with NRSA which shall result in faster surveys, accurate tower spotting, BOQ estimation, line route optimization etc.
7. Development and Testing of High strength 320kN and 420kN rating insulators.
8. High Surge Impedance Loading (HSIL) line design.
9. High Capacity, $\pm 600/800$ kV, 4000 MW HVDC Bipole design for long distance power transfer over 2000-2500 km. from NER.
10. Engineering Data Integration on GIS Platform.
6. 800kV substation including transformers and reactors under implementation.
7. First 400kV Gas Insulated Substation (GIS) of POWERGRID at Maharani Bagh (Delhi) under implementation.
8. 2500 MW, ± 500 kV Balia – Bhiwadi HVDC Bipole with Lapwing conductor.
9. 400kV Multicircuit towers to accommodate 4 circuits under implementation in forest stretches as an initiative towards Environmental Conservation.

Technology Absorption :

1. POWERGRID has implemented 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 is being 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:

<i>Foreign Exchange Earnings</i>	(Rupees in Crore)
(i) Interest	0.11
(ii) Others	-
Total:	<u>0.11</u>
<i>Foreign Exchange Outgo</i>	
(i) Capital Goods and Spare Parts	237.31
(ii) Professional and Consultancy Fee	1.25
(iii) Interest	203.60
(iv) Others	13.43
Total:	<u>455.59</u>



ANNEXURE - IV TO THE DIRECTORS' REPORT

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF POWER GRID CORPORATION OF INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH, 2005.

COMMENTS	MANAGEMENT REPLY
<p>A. Balance Sheet</p> <p>Capital work-in-progress (Schedule 7)-Rs. 3561.62crore</p> <p>Above includes Rs. 319.66 crore being cost of Tehri- Meerut Transmission Line (Circuit-I), which has been test charged in August 2004 after completion of construction activities. The expenditure of Rs. 307.49 crore incurred up to August 2004 should have been capitalized and the remaining expenditure of Rs. 12.17 crore incurred thereafter on interest and incidental expenditure during construction should have been charged to revenue in terms of AS-16 and para 12.4 of Guidance note on treatment of expenditure during construction period.</p> <p>Non-capitalization of transmission line has resulted in overstatement of capital work-in-progress by Rs. 319.66 crore and understatement of gross block and depreciation by Rs. 307.49 crore and Rs. 4.18 crore respectively. Consequently, profit is overstated by Rs. 16.35 crore.</p>	<p>For a transmission line, to be ready for intended use and capitalization, its physical completion, clearance from CEA, test charging and successful commissioning is required. In case of Tehri-Meerut Transmission Line Circuit-I, the above activities are pending as on date also. The line has been test charged/energized provisionally upto a certain portion as an anti-theft measure for protection of conductor and tower members based on provisional clearance from CEA. Therefore, the construction of line has not been completed and it can not be capitalized. In view of above, the capitalisation of interest and other expenditure during construction is appropriate.</p>
<p>B. Notes on Accounts (Schedule 28) Note No. 15(a)</p> <p>A reference is invited to comment no. C(i) of the comments of the Comptroller and Auditor General of India on the accounts of the Company for the year ended 31st March 2004 under section 619(4) of the Companies Act, 1956 regarding applicability of rates of depreciation to be followed by the 'Generation and Transmission Companies' for preparation of annual accounts, consequent upon the enactment of Electricity Act, 2003 which does not contain any provision regarding rates of depreciation.</p> <p>The matter was referred to the Ministry of Power, which has expressed the view that depreciation rates as notified by the Central Electricity Regulatory Commission (CERC) under Tariff Policy to be notified in terms of the Electricity Act, 2003 in respect of generation and transmission assets would be applicable for the purpose of tariff as well as accounting. However, as the Tariff Policy is yet to be notified in terms of the Electricity Act, 2003, the applicability of these depreciation rates remains unresolved.</p> <p>The company continued to follow the rates of depreciation as notified by CERC in March 2004 in its accounts for the year ended 31st March 2005. Depreciation charged during the year is lower by Rs. 390.02 crore as compared to the rates laid down in the Companies Act, 1956 and profit for the year is higher to that extend.</p>	<p>During the year, the company continued to provide depreciation at the rates notified by Central Electricity Regulatory Commission based on technical assessment of useful life of assets. This Policy is as per provision of Accounting Standard-6. However, as pointed out by Audit, the matter is under consideration of Government of India for a decision regarding rates of depreciation. This fact has been disclosed at Sl.No. 15a in Notes on Accounts (Schedule-28) also. The decision of Government of India in this regard is awaited. However, the tariff policy, which is yet to be notified by Ministry of Power, also supports the view of company on depreciation rates considered for accounting purpose.</p>
<p style="text-align: center;">Sd/- (Vijaya Moorthy) Principal Director of Commercial Audit And Ex-officio Member Audit Board-III New Delhi.</p> <p>Place : New Delhi. Date : 14th September, 2005.</p>	<p style="text-align: center;">For and on behalf of the Board Sd/- (R.P.Singh) Chairman & Managing Director Power Grid Corporation of India Ltd., New Delhi-110016.</p> <p>Place : New Delhi. Date : 16th September, 2005.</p>



**REVIEW OF ACCOUNTS OF POWER GRID CORPORATION OF INDIA LIMITED, NEW DELHI
FOR THE YEAR ENDED 31ST MARCH 2005 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 qualification contained in the Statutory Auditor's Report.

1 FINANCIAL POSITION

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

	(Rs. in crore)		
	2002-03	2003-04	2004-05
LIABILITIES			
a) Paid up capital			
Govt. (including share application money pending allotment)	3074.06	3074.06	3204.06
b) Reserves and Surplus			
i) Free Reserves and Surplus	4246.11	4867.49	5442.65
ii) Capital Reserves	447.26	586.74	384.22
c) Borrowing from :			
i) Government of India	1659.97	72.11	66.53
ii) Financial Institutions	247.93	897.40	812.30
iii) Foreign currency loans	4815.71	5188.75	5507.53
iv) Cash credit	-	-	-
v) Others	4719.67	6108.12	7001.68
vi) Interest accrued and due	-	-	-
d) i) Current Liabilities and Provisions (including AAD)	1589.77	2578.16	3167.28
ii) Provision for Gratuity	17.54	19.68	17.08
e) Deferred Tax Liability (net)	232.86	182.31	240.35
TOTAL	21050.88	23574.82	25843.68

*The figures have been regrouped/ rearranged

2 ASSETS

	(Rs. in crore)		
	2002-03	2003-04	2004-05
f) Gross Block	18943.30	19876.23	21930.56
g) Less: Depreciation	4344.56	4992.40	5635.04
h) Net Block	14598.74	14883.83	16295.52
i) Capital Work-in-Progress & Construction Stores and Advances	2592.58	3876.06	5024.79
j) Investments	739.08	1851.13	1882.42
k) Current Assets, Loans and Advances	3112.73	2924.80	2611.27
l) Deferred Tax Assets	-	-	-
m) Misc. Expenditure not Written Off	7.75	39.00	29.69
n) Accumulated Loss			
TOTAL	21050.88	23574.82	25843.69
o) Working Capital (k-d(l)-c(vi))	1522.96	346.64	-556.01
p) Capital Employed (h+o)	16121.70	15230.47	15739.51
q) Net Worth (a+b(i)-m-n)	7312.42	7902.55	8617.02
r) Net Worth per Rupee of Paid-up Capital (in Rupees)	2.38	2.57	2.69



(Rs.in crore)

2004-05

SOURCES AND UTILISATION OF FUNDS

Funds amounting to Rs. 3859.88 crore from internal and external sources were realised and utilised during the year as detailed below:

SOURCES OF FUNDS

a) Funds from operation		
Profit after tax	785.52	
Add: Depreciation	642.64	
Add: Misc. exp. written off	9.31	
Add: Deferred Tax	58.04	
	1495.51	
Less: Transfer from Insurance Reserve	1.08	1494.43
b) Increase in borrowed funds		1121.66
c) Proceeds from Grants		5.22
d) Decrease in working capital (excluding proposed dividend)		931.62
e) Decrease in construction Stores & Advances		176.95
f) Issue of Fresh Share Capital		130.0
TOTAL		3859.88

UTILISATION OF FUNDS

a) Increase in fixed assets		2054.33
b) Grant utilised		12.51
c) Dividend paid		240.84
d) Increase in investments		31.29
e) Decrease in Development Surcharge		195.23
f) Increase in Capital Work in Progress		1325.68
TOTAL		3859.88

3. WORKING RESULTS

The working results of the Company for the last three years ending 31st March 2005 are given below :

(Rs. in crore)

	2002-03	2003-04	2004-05
i) Sales	2140.00	2435.92	2514.31
ii) Other income	392.74	369.83	316.97
iii) Profit before tax and prior period adjustment	765.65	756.30	880.94
iv) Prior Period adjustment : exp/(-) income	13.81	42.01	-27.43
v) Profit before tax	751.84	714.29	908.37
vi) Provision for tax(including deferred tax)	109.25	-33.91	122.85
vii) Profit after tax	642.59	748.20	785.52
viii) Proposed dividend plus dividend tax	56.41	141.02	209.28



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 2005 are as under :

	(Rs. in crore)		
	2002-03	2003-04	2004-05
A. Liquidity ratio			
Current Ratio(k/d(i)+c(vi))	1.96	1.13	0.82
B. Debt Equity Ratio			
Long terms debt to equity (c(i to v) but excl. short terms loans)/q	1.56	1.55	1.49
C. Profitability Ratios			
a) Profit before tax to(percentage)			
i) Capital Employed	4.66	4.69	5.77
ii) Net worth	10.28	9.04	10.54
iii) Sales(incl.Excise duty)	35.13	29.32	36.13
b) Profit after tax to equity (percentage)	20.90	24.34	24.52
c) Earning per share (In Rupees) (Basic)	212.00	247.00	257.00

5. INVENTORY LEVELS

The inventory levels at the close of the last three years ending 31st March 2005 are as under :

	(Rs. in crore)		
	2002-03	2003-04	2004-05
Stores and spares and Loose tools	160.69	196.86	184.27

6. SUNDRY DEBTORS

The Sundry debtors and Sales in the last three years ending 31st March 2005 are as follows :

Sundry Debtors						
As on 31st March of	Considered good	Considered doubtful	Total	Sales	% of Sundry Debtors to sales	
2003	1645.01	138.20	1783.21	2103.00	84.79	
2004	485.40	39.29	524.69	2400.58	21.86	
2005	450.70	97.91	548.61	2514.31	21.82	

The agewise breakup of Sundry Debtors at the end of 2004-2005 is as under :

	(Rs. in crore)
Debtors outstanding for	
Less than six months	127.34
6 months to 1 year	81.92
1 year to 3 years	255.64
More than 3 years	83.71
Total	548.61

Place : New Delhi.
Date : 14 Sep, 2005

(Vijaya Moorthy)
Principal Director of Commercial Audit
and Ex-officio Member Audit Board-III
New Delhi.



ANNEXURE - V TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

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

THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance is about promoting corporate fairness, transparency and accountability in the best interest of various stakeholders in the company. It is a system by which business corporations are directed and controlled. POWERGRID believes that good governance should entail trusteeship, empowerment and accountability of the management while remaining proactive to the Government policies. POWERGRID's Governance process is focused towards its mission of "*establishment and operation of Regional and National Power Grids to facilitate transfer of power within and across the regions with Reliability, Security and Economy on sound commercial principles*" based on the well established practices in engineering & design, contracts, project management, finance etc. which are being followed in letter and spirit and are being continually improved upon. POWERGRID, today stands as 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. Committee of Directors for Bonds also looks after Investor Grievances. In addition, Committees consisting of eminent independent persons have been constituted with a view to get expert advice on issues concerning (i) Procurement, Project execution & financial aspects raised by external agencies, (ii) Review of Financial Management policies, systems, etc. and (iii) Research and Development aspects. This has been appreciated in the Corporate Governance Report made by Ernst & Young for the World Bank. POWERGRID has upgraded its Environmental and Social Policy and Procedures (ESPP) evolved initially in the Year 1998.

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 Directorship	No. of Other Committee Membership	
				Chairman	Member
Shri R.P. Singh, CMD	Till date	'Executive Director'	One	Two	Nil
Dr. V.K. Garg, Director (Finance)	Ceased to be Director on 11.05.05	'Executive Director'	One	Nil	One
Shri S.C. Misra, Director (Projects)	Ceased to be Director on 28.02.05	'Executive Director'	Nil	One	One
Shri. U.C. Misra, Director (Personnel)	Till date	'Executive Director'	Nil	Nil	Nil
Shri J. Haque, Director (Operations)	Appointed as Director (Operations) w.e.f. 16.09.04	'Executive Director'	Two	Nil	One
Shri. M. Sahoo, JS&FA, Ministry of Power	Till date	'Non-Executive Director'	Five	Three	Five
Shri G.B. Pradhan, Jt. Secy., Ministry of Power	Till date	'Non-Executive Director'	One	Nil	Two

{ The number of Chairmanship/ Membership also includes Chairmanship/ Membership in the Committee(s) of POWERGRID.
 'Executive Director' means 'Whole -Time Director'.
 'Non-Executive Director' means 'Part-Time Director'.
 }

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

Board Meetings and Attendance:

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

During the financial year ended 31st March, 2005, twelve Board meetings were held on 23rd April, 11th June, 6th July, 28th July, 26th August, 28th September, 30th October, 25th November of the year 2004 and 28th January, 24th February, 28th February and 24th March of the year 2005.



Attendance:

Name	Board Meetings during tenure		Attendance at the last AGM (Held on 28.09.04)
	Held	Attended	
Shri R.P. Singh, CMD	12	12	Yes
Dr. V.K. Garg, Director (Finance)	12	10	Yes
Shri. S.C. Misra, Director (Projects)	11	11	Yes
Shri J. Haque Director (Operations)	7	7*	Yes
Shri U.C. Misra, Director (Personnel)	12	10	Yes
Shri M. Sahoo, JS&FA, MOP	12	11	Yes
Shri G.B. Pradhan, MOP	12	11	Yes

* Shri J. Haque assumed the charge of Director (Operations) w.e.f. 16.09.2004. Shri Haque also assumed the additional charge of Director (Projects) w.e.f. 09.03.2005 for a period of three months upto 08.06.2005.

Remuneration of Directors

Being a Government Company, the Whole time Directors are appointed by the President of India through the Ministry of Power and draw remuneration determined by the Government 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 2004-05 is as under:

S No.	Directors	Remuneration (In Lacs)
1.	Shri R.P. Singh, Chairman & Managing Director	11.42
2.	Dr. V.K. Garg, Director (Finance)	15.59
3.	Shri S.C. Misra, Director (Projects)	10.67
4.	Shri U.C. Misra, Director (Personnel)	10.09
5.	Shri J. Haque, Director (Operations)	6.21

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 C&AG to Ministry and status of action taken on such reports.
- i) To look into the reasons for substantial defaults in the payment to the bond-holders.
- j) To investigate any activity within its terms of reference, to obtain outside legal or other professional advice if it considers necessary.
- k) To consider other matters as referred by the Board.

Composition of Audit Committee during the FY 2004-05:

Shri. S.C. Misra, Director (Projects) Shri M. Sahoo, JS&FA, MOP Shri G.B. Pradhan, JS, MOP	Chairman (Upto Feb. '05) Member Member	Executive Director Non-Executive Director Non-Executive Director
--	--	--

Attendance:

During the financial year ended 31st March, 2005, six meetings of the Audit Committee were held on 23rd April, 6th July, 28th July, 28th September, 30th October of the year 2004 and 28th January of the year 2005.

Attendance at Audit Committee Meetings during the preceding Financial Year:

Name	Audit Committee Meeting during tenure	
	Held	Attended
Shri. S.C. Misra, Director (Projects)	6	6
Shri M. Sahoo, JS&FA, MOP	6	6
Shri G.B. Pradhan, JS, MOP	6	5
Dr. V.K. Garg, Director (Finance)*	6	5

* Attended as a Special invitee

Shri U.C. Misra, Director (Personnel) attended the 33rd Audit Committee meeting as special invitee.

General Body Meetings:

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

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

Date of payment of Dividend for the Financial Year 2003-2004:

18th October, 2004.

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. (Delisting with DSE is under process)	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

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

Bonds in Electronic Form:

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

Bondholders holding Bonds in electronic form may please note that:

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

Means of Communication:

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

Address of correspondence:
(Corporate Office)

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

Disclosures:

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.

Certificate on Corporate Governance:

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



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

To

The Members,
Power Grid Corporation of India Ltd.

1. We have examined the compliance of conditions of Corporate Governance, which is recommendatory to Power Grid Corporation of India Ltd., for the year ended 31st March, 2005, as stipulated in Clause 2.18 of the Model Listing Agreement (in respect of Debt Securities) 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 Company has complied in all material aspects with the conditions of Corporate Governance as stipulated in Clause 2.18 of the Model Listing Agreement (in respect of Debt Securities).
4. (i) As compliance of conditions of Corporate Governance is recommendatory as stated in Para 1 above, the requirement of having atleast 50% of the Board of Directors as "Independent Directors" in case the Chairman is Executive Director is also recommendatory to the Power Grid Corporation of India Limited which has two Non-Executive Directors. Filling up of the vacant posts of the Independent Directors are under process with the Ministry of Power.

(ii) As regards Para II of Clause 2.18 of the Agreement, during the year as the Company had only two Non-Executive Directors, the Audit Committee comprised of three Directors, two being Non-Executive and one Executive Director. The meetings of the Audit Committee were chaired by an Executive Director.

(iii) The Company which is 100% owned by the Government of India, has constituted a Committee of Board of Directors for Bonds who look after the post allotment activities including investor grievance. As informed by the management, we state that no investor grievances remaining unattended/pending for more than 30 days, as on 31st March 2005.
5. 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

Sd/-
(Rakesh Kumar)
Partner

For B.M. Chatrath & Co.
Chartered Accountants

Sd/-
(P.R. Paul)
Partner

For Natraja Iyer & Co.
Chartered Accountants

Sd/-
(E.S. Rangnath)
Partner

Date : 16th September, 2005
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 2004-05.

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

CAPITAL WORK-IN-PROGRESS

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

INVENTORIES

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

OTHER ASSETS AND LIABILITIES

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

DEPRECIATION ADJUSTMENT

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

GEARING ADJUSTMENT

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

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



ANNUAL REPORT
2004-2005

CURRENT COST BALANCE SHEET AS AT 31ST MARCH, 2005

	(Rs.in Lacs)	
	As at 31st March, 2005	As at 31st March, 2004
NET ASSETS EMPLOYED		
Gross Block	3795104	3146073
Less: Accumulated Depreciation	<u>1036111</u>	<u>846361</u>
Net Block	2758993	2299712
Capital Work-in Progress	503494	323223
Construction Stores and Advances	158539	173137
Investments	188242	185113
NET CURRENT ASSETS		
Inventories	19169	20424
Other Current Assets	<u>242700</u>	<u>272794</u>
	261869	293218
Less: Current Liabilities and Provisions	<u>342472</u>	<u>278015</u>
	-80603	15203
Miscellaneous Expenditure (to the extent not written off or adjusted)	2969	3900
	<u>3531634</u>	<u>3000288</u>
FINANCED BY SHAREHOLDERS FUNDS		
Share Capital	320406	307406
Current Cost Reserve	1319724	943024
Other Reserves and surplus	<u>552700</u>	<u>523220</u>
	2192830	1773650
LOAN FUNDS		
Secured Loans	895,363	758697
Unsecured Loans	<u>443,441</u>	<u>467941</u>
	1338804	1226638
	<u>3531634</u>	<u>3000288</u>

CURRENT COST PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	(Rs.in Lacs)	
	For the Year ended 31st March, 2005	For the Year ended 31st March, 2004
Profit before Interest and Finance charges and Taxation (On Historical Cost basis)	171706	170525
Less: Depreciation Adjustment	<u>45943</u>	<u>34416</u>
Current Cost operating Profit	125763	136109
Add: Gearing Adjustment	<u>15956</u>	<u>12213</u>
	141719	148322
Less: Interest and Finance Charges	80869	99096
Provision for Taxation	<u>12285</u>	<u>-3391</u>
	93154	95705
Current Cost Profit Attributable to Shareholders	<u>48565</u>	<u>52617</u>



CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2005

	(Rupees in Crores)	
	For the year ended March 31, 2005	For the year ended March 31, 2004
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	908.37	714.29
Adjustment for :		
Depreciation	645.77	606.32
Transfer from Grants in Aid	-17.51	-16.31
Amortised Expenditure (DRE written off)	9.31	13.85
Provisions	64.36	-154.91
Self Insurance	-1.08	14.20
Interest	808.69	990.96
Interest earned on bonds	-178.62	-265.07
Dividend received	-0.96	
Operating profit before Working Capital Changes	2238.33	1903.33
Adjustment for :		
Trade and other Receivables	191.08	1445.08
Inventories	12.53	-36.16
Trade payables and other liabilities	338.28	703.07
Other current assets	139.00	-78.42
Loans and Advances	-23.71	-154.38
Deferred Revenue Expenditure	0.00	-2.63
	657.18	1876.56
Direct taxes paid	-56.00	-27.00
Net Cash from operating activities	2839.51	3752.89
B- CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets	-2057.62	-933.88
Capital work in progress	-1325.68	-539.15
Advance for Capital Expenditure	172.36	-744.25
Investments	0.00	-1047.79
Investments in Joint Ventures	-31.29	-64.26
Lease Receivables	21.01	3.41
Interest earned on bonds	178.62	265.07
Dividend received	0.96	0.00
Net cash used in investing activities	-3041.64	-3060.85
C- CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	130.00	0.00
Loans raised during the year	1908.45	3274.13
Loans repaid during the year	-786.79	-2451.03
Development surcharge received	-195.23	195.23
Interest Paid	-808.69	-990.96
Dividend paid	-213.00	-50.00
Dividend Tax paid	-27.84	-6.41
Adjustment of grant	5.00	-71.57
Proceeds from Grants in Aid	5.22	50.19
Net Cash from Financing Activities	17.12	-50.42
D- Net change in Cash and Cash equivalents (A+B+C)	-185.01	641.62
E- Cash and Cash equivalents (Opening balance)	788.98	147.36
F- Cash and Cash equivalents (Closing balance)	603.97	788.98

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. 13.10 crore not available for use by the Company.

For and on behalf of the Board

(Divya Tandon) Company Secretary	(J. Sridharan) Executive Director (Finance)	(U.C. Misra) Director (Personnel)	(R.P. Singh) Chairman and Managing Director
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As per our report of even date

For O.P. Bagla & Co. Chartered Accountants (Rakesh Kumar) Partner	For B.M. Chatrath & Co. Chartered Accountants (P.R. Paul) Partner	For Nataraja Iyer & Co. Chartered Accountants (E.S. Ranganath) Partner
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Place : New Delhi
Date 18th July, 2005



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 third Directors' Report of BINA DEHGAM TRANSMISSION COMPANY LIMITED together with the audited Statement of Accounts for the financial year 2004-05.

Status of the Company

POWERGRID, the Promoter Company had formed this Company with the object of establishing 400kV D/C Bina-Nagda and 400kV D/C Nagda-Dehgam Transmission Lines through IPTC route on Build, Own, Operate & Transfer (BOOT) basis. The Company had been incorporated on 2nd September, 2002. However, implementation of the aforesaid Transmission Lines through IPTC Route could not materialize due to rejection of Transmission License to TNB-KPTL Consortium by CERC. In view of the same, the Board of Promoter Company i.e. POWERGRID decided that this Company may be utilized for taking up the implementation of Transmission Lines associated with Parbati and Koldam HEPs to be established on Joint Venture route and approved the change of the name of the Company from "Bina Dehgam Transmission Company Limited" to "Parbati Koldam Transmission Company Limited". Accordingly, the Board of Directors of this Company had also approved the effecting of the change of the name and other consequential and necessary changes in the Memorandum and Articles of Association of the Company for taking up the implementation of Transmission Lines associated with Parbati and Koldam HEPs through Joint Venture Route.

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 2004-05.

Auditors

M/s. Anil Khandelwal & Associates, Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the Company for the year 2004-2005.

Auditors' Report

The Auditors' Report to the shareholders does not contain any qualifications. Further, the Comptroller and Auditor General of India has decided not to review the report of the Auditors on the accounts of the Company for the year ended 31st March, 2005 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, 2005 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;

Bonding the Nation
Transmitting Happiness.



iv) that the Directors have prepared accounts for year ended 31st March, 2005 on a going concern basis.

Particulars of Employees

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

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

Since no commercial activity was carried out by the Company, 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: 6th September, 2005.
Place: New Delhi.



ANNUAL REPORT
2004-2005

BINA DEHGAM TRANSMISSION COMPANY LIMITED
BALANCE SHEET AS AT 31st MARCH, 2005

(Amount in Rs.)

SCHEDULE	As at 31st March, 2005	As at 31st March, 2004
I. SOURCES OF FUNDS		
Shareholder's Funds		
Capital	500000	500000
TOTAL	<u>500000</u>	<u>500000</u>
II. APPLICATION OF FUNDS		
Current Assets, Loans and Advances		
Current Assets		
Cash & Bank Balances	500000	500000
Less: Current Liabilities & Provisions		
Current Liabilities	61185	49565
Net Current Assets	<u>438815</u>	<u>450435</u>
Miscellaneous Expenditure (To the extend not written off or adjusted)		
	61185	49565
TOTAL	<u>500000</u>	<u>500000</u>
Significant Accounting Policies and Notes forming part of Accounts		
(Schedule 1 to 5 form integral part of Annual Accounts)		

As per our report of even date

For **Anil Khandelwal & Associates**
Chartered Accountants

(Vinay Khandelwal)
Partner

For and on behalf of Board of Directors

(J.Sridharan)
Director

(Anand Mohan)
Director

Place : New Delhi
Dated : 08-08-05



BINA DEHGAM TRANSMISSION COMPANY LIMITED
SCHEDULES-FORMING PART OF ACCOUNTS

	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
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>
	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
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>
	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
SCHEDULE '3'		
CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Power Grid Corp. of India Ltd.	50165	38765
Other Liabilities (Audit Fees 2004-05)	<u>11020</u>	<u>10800</u>
	<u>61185</u>	<u>49565</u>
	(Amount in Rs.)	
	As at 31st March, 2005	As at 31st March, 2004
SCHEDULE '4'		
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenses		26700
Pre-operative Exp.		
Balance as at 31.03.04	22865	10800
Allocation during the year	<u>11620</u>	<u>12065</u>
	<u>34485</u>	<u>49565</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. 49,994 equity shares of Rs. 10/- each are held by the holding company, Power Grid Corporation of India Ltd.
3. The expenditure incurred during the year Rs. 11620/- has been allocated to Pre-operative Expenditure shown under the head "Misc. Expenditure".
4. There are no contingent liabilities.
5. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our report of even date

For **Anil Khandelwal & Associates**
Chartered Accountants

(Vinay Khandelwal)
Partner

For and on behalf of Board of Directors

(J.Sridharan)
Director

(Anand Mohan)
Director

Place : New Delhi.
Dated : 08-08-05



BINA DEHGAM TRANSMISSION COMPANY LIMITED
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details		State Code : 055	
Registration No.	U40108DL2002GOI/116786		
Balance Sheet Date		31	03
		DATE	MONTH
			05
			YEAR
II. Capital Raised during the year (Amount in Rs.Thousands)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
III. Position of Mobilization and Deployment of funds (Amount in Rs.Thousands)			
Total Liabilities	561	Total Assets	561
Sources of Funds			
Paid-up Capital	500	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	NIL
Application of Funds			
Net Fixed Assets	NIL	Investment	NIL
Net Current Assets	439	Misc. Expenditure	61
Accumulated Losses	NIL		
IV. Performance of Company (Amount in Rs.Thousands)			
Turnover	NIL	Total Expenditure	12
Profit/Loss before Tax	NIL	Profit/Loss after Tax	NIL
Earnings per share in Rs.	NIL	Dividend Rate %	NIL
V. Generic Name of three principal Product/Services of Company (As per monetary terms)			
Item Code No.	NOT APPLICABLE		
(ITC)Code			
Product Description	TRANSMISSION OF POWER		

As per our report of even date

For **Anil Khandelwal & Associates**
Chartered Accountants

For and on behalf of Board of Directors

(Vinay Khandelwal)
Partner

(J.Sridharan)
Director

(Anand Mohan)
Director

Place : New Delhi.
Dated : 08-08-05



AUDITOR'S REPORT

We have audited the attached Balance Sheet of Bina Dehgam Transmission Company Limited as at 31st March 2005. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

1. As required by the Companies (Auditor's Report) Order, 2003, read with the Companies (Auditors' Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (hereinafter referred to as the Act), we enclose in the Annexure a statement on the matters specified in paragraph 4 & 5 of the said order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report as under:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet is in agreement with the books of account;
 - d. In our opinion, the said Balance Sheet has been prepared in Compliance with the accounting standards as prescribed under the provisions of Section 211(3C) of the Act to the extent applicable
 - e. In our opinion and to the best of our information and according to the explanation 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 2005.

For **Anil Khandelwal & Associates**
Chartered Accountants

(Vinay Khandelwal)
Partner

Place : New Delhi.
Dated : 08.08.05



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, 2005

1. The company does not own any Fixed Assets.
2. The company does not have inventory.
3. (a) The company has not taken/granted any loans, secured or unsecured from/ to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
(b) The company has not taken/granted any loans and advances in the nature of loans.
4. No internal control procedures are required in absence of any commercial transactions. Certificate of commencement of business is yet to be obtained by the company.
5. There are no transactions that need to be entered into a register in pursuance of section 301 of the Act.
6. The Company has not accepted any deposit under the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956.
7. The Company was not required to have an internal audit system.
8. The department of Company affairs has prescribed maintenance of cost accounting records under section 209(1)(d) of the Companies Act, 1956. However, cost accounts have not been prepared since there is no commercial activity during the year.
9. (a) The provisions of Provident Fund and Employees State Insurance Scheme are not applicable to the company.
(b) There were no disputed amount in respect of Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues outstanding as at 31st March, 2005 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 borrowing, this clause does not apply.
12. Since, the company has not granted any loans or advances, this clause does not apply.
13. This clause does not apply to the company.
14. Since, the Company has not made any transaction during the year regarding trading in shares, securities, debentures and other investments, this clause does not apply.
15. Since, the company has not given any guarantee for loans taken by others from bank or financial institutions, this clause does not apply.
16. Since, the company has not taken any term loans, this clause does not apply.
17. Since, the company has not raised any funds, this clause does not apply.
18. Since, the company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act, this clause does not apply.
19. Since, the company has not issued debentures, this clause does not apply.
20. Since, the company has not raised money by public issue, this clause does not apply.
21. Since, the company has not yet started commercial operations, this clause does not apply.

For **Anil Khandelwal & Associates**
Chartered Accountants

(Vinay Khandelwal)
Partner

Place : New Delhi.
Dated : 08.08.05



ANNUAL REPORT
2004-2005

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 31 MARCH 2005

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 2005 and as such he has no comments to make under Section 619(4) of the Companies Act, 1956.

(Vijaya Moorthy)
Principal Director of Commercial Audit and
ex-officio Member Audit Board -III,
New Delhi

Place : New Delhi
Dated : 25 August 2005