

ANNUAL REPORT
2006-07



पावरग्रिड

POWER GRID CORPORATION OF INDIA LIMITED

(A Government of India Enterprise)

www.powergridindia.com

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.





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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 Systems.
- 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

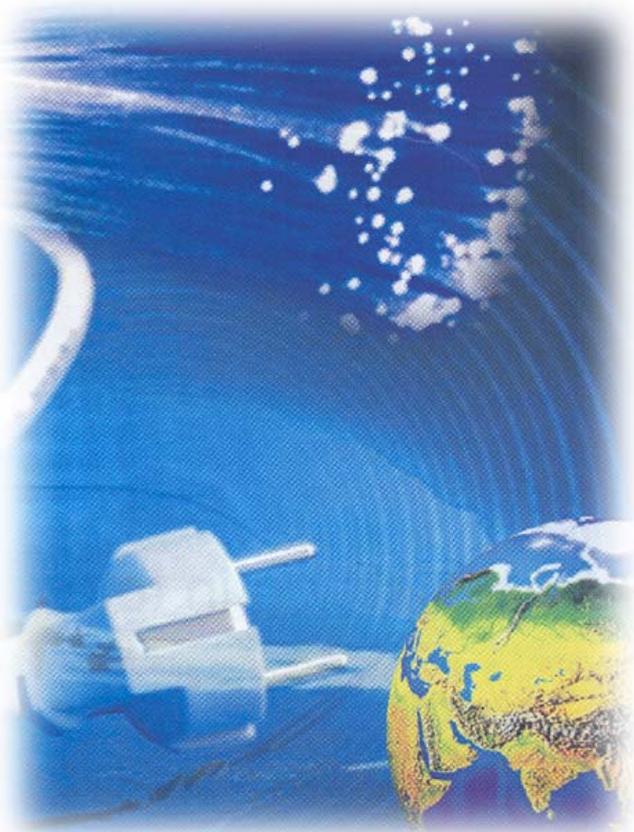
Touching lives everywhere

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, Jameshedpur, Patna, Bhuvneshwar 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-I (IP-I), NLD 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)



Board of Directors



Dr. R. P. Singh

Chairman & Managing Director
(Since 23.08.1997)

**“True worth of a company lies in its people
and people management”**



Shri S. Majumdar
Director (Projects)
Since 27.09.2005



Shri J. Sridharan
Director (Finance)
Since 21.12.2005



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



Shri Rajesh Verma
JS & FA (MOP),
Govt. Director



Shri Anil K. Agarwal
Since 10.07.2007



Shri F. A. Vandrevala
Since 10.07.2007



Dr. A. S. Narag
Since 10.07.2007



Dr. P. K. Shetty
Since 10.07.2007



Shri M. Sahoo
JS & FA (MOP), Govt. Director
From 22.07.2002 to 29.06.2007



Shri U.C. Misra
Director (Personnel)
From 01.08.2002 to 25.01.2007



Shri J. Haque
Director (Operations)
From 16.09.2004 to 31.01.2007



Shri M. S. Kapur
From 10.07.2007 to 05.10.2007

Ms. Divya Tandon
Company Secretary

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. Nataraja 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 ● Citi Bank ● J & K Bank ● IDBI Bank ● DA Afghanistan Bank



Ladies and Gentlemen,

It is my pleasure to extend a very warm welcome to all of you to your company's 18th Annual General Meeting.

Financial Performance FY 2006-07

At the outset, I would like to inform you that POWERGRID'S performance in 2006-07 has been spectacular. Your company has earned a profit of Rs. 1,229 crore on a turnover of Rs. 4,082 crore. The transmission line availability was 99.2 per cent, at par with international standards. POWERGRID had a capital budget of Rs. 6,329 crore during this year, as against budgetary estimates of Rs. 4,849 crore, an increase of 23 per cent – a standout performance amongst the power utilities. POWERGRID employees need to be commended for this effort. Yet, let us remember, the financial strength of POWERGRID, resulting from sustained performances of such nature, is not merely an end in itself. It lays the foundation to help us achieve even greater heights in the years ahead.

Performance in the 10th Plan

The year 2006-07, being the last year of the X plan, I would also like to share our overall performance in the X plan. Your Company's performance in the X Plan also has been spectacular, against the previous plans. In this regard, I would like to place before you the views expressed by the Standing Committee on Energy on our performance.

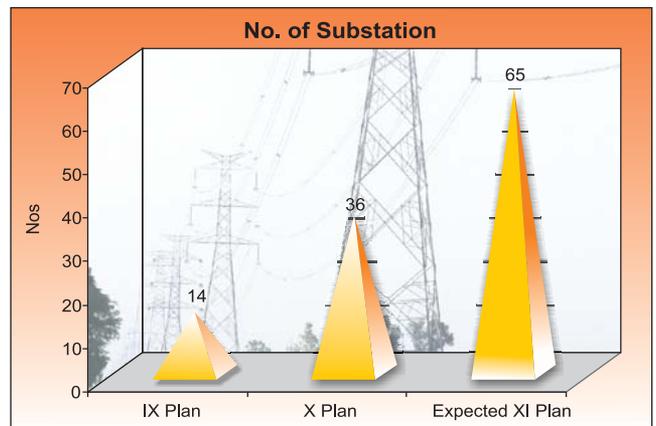
"The Committee noted that out of 10th Plan outlay of Rs. 21,370 crore, POWERGRID could spend only Rs. 18,181 crore. However, with this lesser outlay, the physical achievements have been more than the 10th Plan targets. The Committee appreciated the work done by POWERGRID in the field of transmission of power."

During the 10th Plan, your company added 25,127 MVA of transformation capacity and 36 sub-stations at Rs. 18,865 crore. The comparable figures for the Ninth Plan (1997-2002) had been 10,957 MVA of transformation capacity and 14 sub-stations

Chairman Speaks

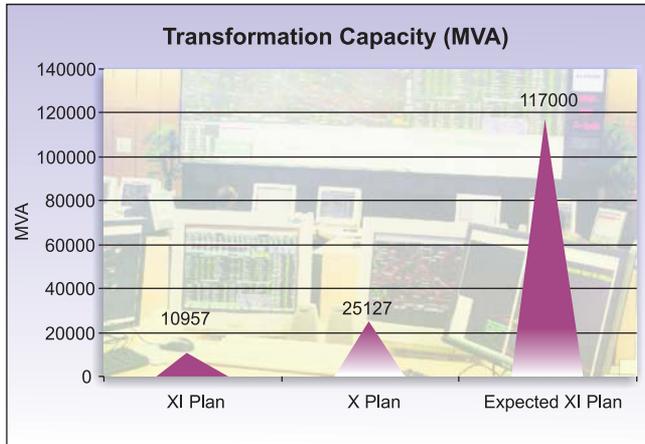
at the 18th Annual General Meeting held at New Delhi on 14th August, 2007.

at Rs. 8,532 crore. The inter-regional power transfer capacity of the national grid has increased from 5,000 MW at the end of the Ninth Plan to 14,100 MW at the end of 10th Plan. Similarly, in the Ninth Plan, the inter-regional power exchange stood at 37,390 MUs; at the end of the 10th Plan it had grown almost four times to 138,729 MUs, ushering in substantial economy in operation, thereby contributing in national savings.



On the operational front, there have been only four grid disturbances during the 10th Plan – all in the first year. In the Ninth Plan, there were 58 grid disturbances. The remarkable improvement is there for all to see. In the past four and a half years, there has not been a single major grid disturbance and even the minor grid disturbances have been reduced to miniscule. This achievement of your company is making news in power sector circles across the globe.

I believe we are at the cusp of great things. Your company has planned capital expenditure of Rs 55,000 crore, out of Rs. 75,000 crore needed for Central Transmission System during the 11th Plan period. This shall be raised through its own internal



resources, national and international borrowing including raising domestic bonds and so on. About Rs. 20,000 crore will be mobilised through private sector in the form of joint ventures with POWERGRID or 100 per cent investment by private companies. At the conclusion of the 11th plan, in 2012, I am certain we will be in another orbit.

To meet the pace of growth, address the problem of Right-of-way and to bring much needed stability, quality, reliability & affordability (SQRA) in the system, POWERGRID plans to introduce state-of-the-art technologies such as ± 800 kV, 6000 MW, HVDC Bipole; 1200 kV AC Transmission System; High Surge Impedance Loading (HSIL) Line; Large Scale Automation of Sub-stations; Use of Helicopter in construction & maintenance; etc. Extensive planning and studies are being carried out to implement these technologies during XI plan.

National Obligation

Friends, I have always believed that the true worth of a company lies not in mere numbers – important as these are – but in its people and people management, and its ethos. At POWERGRID, we are committed to a performance-driven culture, transparency, project and quality management benchmarks that match the best in the world, training and empowerment of human resources, and state-of-the-art technology to conserve much needed, Right-of-Way, environment, flora & fauna and land mass in this populous country. Your Company has taken up massive upgrading & uprating of existing Transmission Lines through use of High Temperature Conductors, Series Compensation including Thyristor Control, use of Multi Circuit & Compact tall Towers etc.

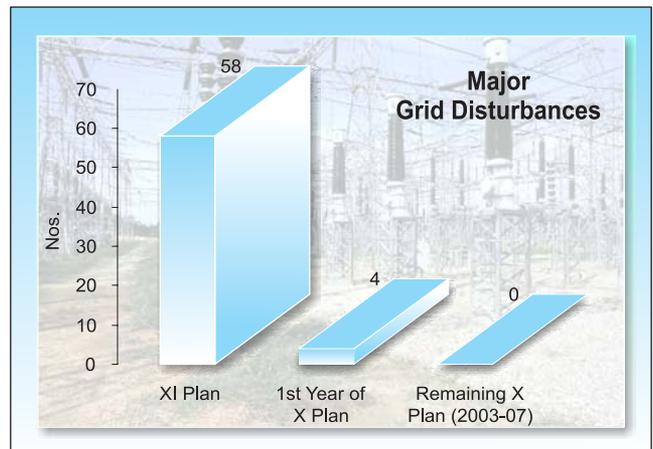
We live in an exciting, booming India, a country and society that changes every day, an economy that has the world transfixed thanks to its pulsating energy and scorching pace of growth. In our euphoria, let us not forget the basics – the sinews of our economy. A strong power sector is the backbone of a strong economy and is essential to support nine or ten per cent – or perhaps even higher – GDP growth rates. A well designed, integrated transmission system leading to a country wide national grid could go a long way in optimal utilisation of energy and would encourage achieving larger goal of environmental sustainability. It is for these reasons that I sometimes see the

POWERGRID network as an analogue to the national highway system – carrying not cars and trucks, goods and people, but electricity.

In making power available, for instance, from energy sources in the East to the buzzing factories of the South, we perform, I believe, a nationally integrative role. As a Central Transmission Utility, POWERGRID has facilitated development of a strong all-India grid providing enhanced inter-regional transmission capacity. As recognition of our contribution in building national infrastructure, your Chairman was conferred with the SCOPE Excellence Award by the Hon'ble Prime Minister.

Towards Strengthening National Grid

In the year 2006-07, POWERGRID achieved a major milestone in further strengthening of national grid with the commissioning of the Muzzaffarpur-Gorakhpur high capacity line. Our four regional grids – Northern, Western, Eastern and Northeastern – are now operating as one synchronous grid covering a distance of nearly 2,800 km. From the extreme Northeast to the western coast, we cover 80 per cent of the country's land mass, 78 per cent of its population. Our total installed capacity of this



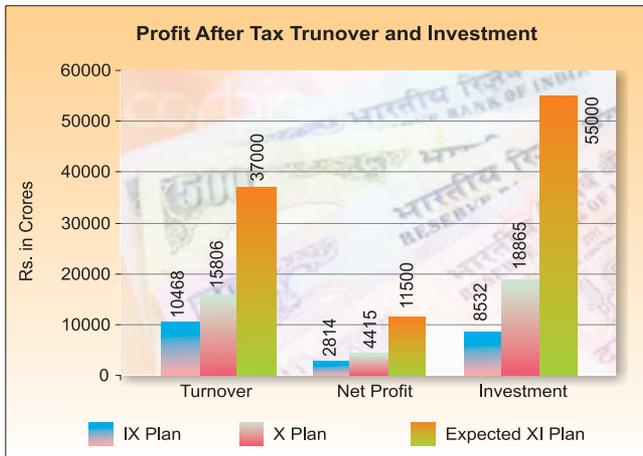
synchronous Grid is about 90,000 MW; this is amongst the world's largest grids.

Contrary to an erroneous belief by some, I would like to point out that the Southern grid is strongly connected to this large grid. This is done so asynchronously through HVDC bipoles and back-to-back links of 4,500 MW capacity in less than five years, we plan to connect it synchronously. As of March 31, 2007, the total inter-regional power transmission capacity of the national grid has now been enhanced to 14,100 MW. By 2012, we plan to reach 37,000 MW.

With these endeavours, inter-regional power transfers are on the rise. This has facilitated not only exchange of power from surplus to deficit regions but also enabled open access, and trading and development of a competitive electricity market. In 2006-07, 38,000 MUs of inter-regional energy transfer was facilitated. Of this, 18,000 MUs have been transacted through short-term open access and unscheduled interchanges. This led to a saving of about Rs. 3,000 crore.

Facilitating Private Participation

The year 2006-07 has also witnessed the successful commissioning of first public-private Joint Venture project between POWERGRID and TATA Power, namely, Tala Transmission System. The project has been completed within approved cost and time. This makes POWERGRID the only power sector utility that has been successful in facilitating private investment in



transmission. The JV is functioning successfully and in the very first year of its operation, Powerlinks has paid dividends. I need say no more. The World Bank, who partly funded this project through its affiliate the International Finance Corporation, has said of this project:

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

Two more JVs are already in place and more are in the pipeline, as is a project with 100 per cent private investment.

Operational Excellence

We have good news on the operational side, too. Our transmission network of 59,461 ckt. kms. of EHV AC & HVDC systems – along with 104 sub-stations – carries 40-45 per cent of total power generated in the country. In 2006-07, it was maintained at an availability of 99.20 per cent, comparable to the best internationally.

The operation of a grid of such mammoth dimensions is becoming more and more challenging, particularly because of high draws, during winter months in the Northern Region, coupled with high pollution and foggy weather conditions. In spite of our best efforts – and, indeed, for no fault of ours – on February 08, 2007, about 56 transmission lines of the Northern Region tripped one after the other. However, thanks to proactive system design and modern load despatch centres, manned by dedicated personnel, grid collapse was averted. The caving in of only a few lines has had a cascading effect and led to major grid

failures even in developed countries. If we have been able to prevent such an occurrence, it is no mean achievement.

Future Operational Challenges

You will appreciate, with rapid addition of generation capacity, integrated operation of the grids and the increased digital quality of power required, more & more complexities to the grid operation are being added. Therefore, there is a need that we work on creating self-healing Intelligent Grids so that on its own, it forecasts and addresses grid problems. In this direction, your Company is working very aggressively with a Group of Very Large Power Grid Operator of the world. The third meeting of this Group is proposed to be held in October 2007 in New Delhi.

Diversifying Profitably

POWERGRID's diversification into telecommunication, a synergic business, is also progressing satisfactorily. During 2006-07, revenue from telecommunication business has been about



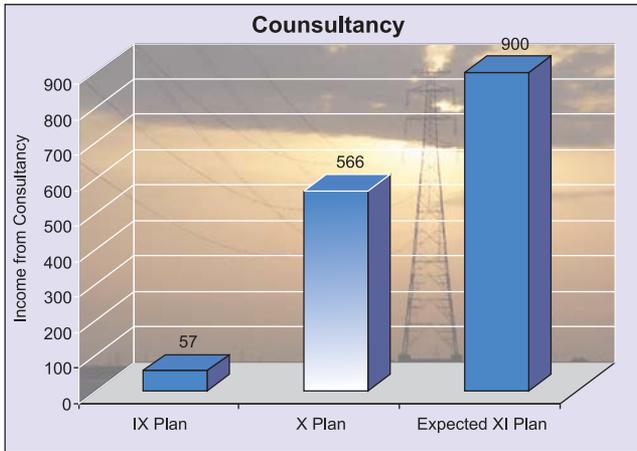
Rs. 78 crore. It is expected that in 2007-08, your Company would earn a revenue of Rs. 125 crore or more, a year before projected schedule of 2008-09. Encouraged by above achievements, your Company is thinking bigger & bolder and further enlarge its horizon in the areas of entertainment and door-to-door service.

Consultancy

It has been our constant effort to explore and tap all possible and even unconventional revenue sources. This year too, we made new forays in the consultancy business. One of the prized assignments of the year has been consultancy for construction of Transmission Line associated with M/s. ONGC Tripura Power Corporation Private Limited at a consultancy fee of Rs. 120 crore. I am delighted to inform you that the transmission project in Afghanistan – despite the tough terrain, weather conditions and law & order situation is progressing ahead of schedule. Overall, our consultancy revenue during the year grew 28 per cent.

Corporate citizen

In today's context, when global warming is being talked world over, we took proactive steps and developed "Environment &



Social Policy and Procedures" (ESPP) for conservation of forests, flora & fauna, resettlement & rehabilitation etc. inspite of transmission projects being nonpolluting. After implementation of ESPP since 1998, total forest involvement has reduced from 6% to 2% and projects have been implemented without any rehabilitation and resettlement disputes. Now we have gone a step further and planned transmission system for evacuation of about 6000 MW Hydro (clean) power from North Eastern Region which has been posed for availing Carbon Credits under Clean Development Mechanism (CDM).

Growing with the Sector

The Govt. of India plans to reach electricity to all by 2012. I am pleased to share that about 1/3rd of Rajiv Gandhi Grameen Vidyutikaran Yojana are being implemented by POWERGRID. Further, we are offering services to States in modernizing their transmission/sub-transmission systems. As planned, it has served triple objectives of i) earning additional resource to fund our ambitious plan, ii) win the confidence of the States and public at

large, and iii) open avenues for career growth of our personnel.

Acknowledgements

If the past year has passed smoothly and successfully, we convey our sincere gratitude to a host of Government agencies, particularly the Ministry of Power, the Ministry of Finance, the Planning Commission, the Ministry of Environment & Forests, the Central Electricity Authority, the Central Electricity Regulatory Commission, Appellate Tribunal, the Statutory auditors and C&AG. I would like to thank them for their encouragement and support to our company.

I would also like to thank all our valued stakeholders – the State Utilities, and Financial Institutions, both domestic and international – for their unstinted, ungrudging support at all times. Their active involvement has been a source of great encouragement. I am sure that your company will continue to have their blessings.

Last but not least, I would like to appreciate the contributions of all our employees. These are the men and women who build POWERGRID – and help, in a small way, to build this great country of ours. I would like to thank them and urge them to carry on the good work.

Friends, I would like to leave you with a thought that has been my watchword all these years and seems so apt for a company working in the power sector. "Tamaso ma jyotirgamaya," was a prayer dear to our ancients, "Lead us from darkness to light." Let these inspiring words ever motivate POWERGRID to light up the homes and offices and factories of our beloved India.

Thank you,

Place : New Delhi

(Dr. R. P. SINGH)

Date :14.08.2007

Chairman & Managing Director



Directors' Report

*18th Annual General Meeting
held on 14th August, 2007.*

To,
The Members,
Ladies & Gentlemen,

I am delighted to present, on behalf of the Board of Directors, the 18th Annual Report on the business and operations of your company together with the Audited Statements of Accounts, Auditors' Report and Review of the Accounts by the Comptroller & Auditor General of India for the Financial Year 2006-07. I am happy to share with you that your company has excelled in all areas of its operations.

Your company has been awarded the prestigious "**MOU Excellence Award**" for two consecutive years, i.e. 2004-05 & 2005-06 for being amongst the top ten Public Sector Enterprises by the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises. These Awards were presented to POWERGRID by Hon'ble Prime Minister of India during the Conference of Chief Executives of Public Sector Enterprises held in New Delhi on March 08, 2007. In fact, POWERGRID has received this prestigious award in the past also.

POWERGRID has also been conferred with five (5) National Awards (four gold and one silver shields) for meritorious performance in Transmission Sector for system availability and project completion. The awards were presented by the Hon'ble Prime Minister of India.

In recognition of its unique approach and contribution towards environment & social management of issues in implementation

of transmission projects through well defined Environmental and Social Policy & Procedures (ESPP), The World Bank has honoured the "**The Green Award, 2006**" during the year.

FINANCIAL RESULTS

	2006-07	Rs. Crore 2005-06
Turnover	4082	3554
Gross Margin	3449	2942
Less:		
Depreciation	828	744
Prior period Adjustment	(9)	73
Deferred Revenue Expenses written off	8	9
PBIT	2622	2116
PBT	1482	1169
PAT	1229	1009
Profit Brought Forward	55	32

APPROPRIATIONS

Transfer to Bonds Redemption Reserve (net)	215	121
Interim Dividend	115	87
Proposed Dividend	254	216
Tax on Interim Dividend	16	12
Provision for Dividend Tax on proposed final dividend	43	30
Transfer to General Reserve	600	500
Transfer to Self Insurance Reserve	25	20

OPERATIONAL EXCELLENCE

Over a decade of excellent business operations, POWERGRID has developed strong in-house expertise in various facets of power transmission business. By the year end, your company has developed a huge transmission network of 59,461 ckt km of 765 kV, 400 kV, 220 kV & 132 kV AC systems, ± 500 kV HVDC systems along with 104 sub-stations and transformation capacity of 59,417 MVA. In spite of many difficulties, the availability of such a gigantic transmission network, spread across the country, was maintained at more than 99.20% during the year 2006-07, which is comparable to the best international





standards. POWERGRID's network carries **40-45%** of total power generated in the country.

This excellent operational efficiency was achieved through deployment of state-of-the-art operation & maintenance techniques at par with the best international practices such as Hot Line Maintenance, Hotline Washing of Insulators, Emergency Restoration Systems, Software based interpretation techniques, Reliability Centered Maintenance, Equipment Condition Monitoring techniques such as Dynamic testing of relays, Dynamic Contact Resistance Measurement of circuit breakers, Third Harmonic Leakage current measurement on lightning arresters, Thermo-vision scanning of switchyard with new generation thermo-vision cameras, Frequency Response Analysis (FRA) for transformers and reactors etc.

QUALITY MANAGEMENT

We were the first power utility in India to be certified with **Integrated Management System** comprising **ISO: 9001 for Quality Management, ISO:14001 for Environment Management** and **ISO:18001 for Occupational Health & Safety**. During the year, we achieved the distinction of being the first power utility & second company in the world to get certified with **PAS 99:2006** integrating the requirements of **ISO 9001:2000, ISO 14001:2004** and **OHSAS 18001:1999**. This certification was accredited by BSI after extensive audit of POWERGRID's Integrated Management System.

GRID MANAGEMENT

The state-of-the-art Unified Load Despatch & Communication (ULDC) schemes implemented by POWERGRID are operational in all the five regions and are greatly contributing to bring quality and economy in operation of power system besides improving data availability, visibility and transparency. These ULDC schemes are amongst the largest and highly complex in nature.

Regional Load Despatch Centres (RLDCs) have become an epitome of technological excellence in grid operation through

three tier hierarchical system, a unique feature in grid operation in the world. For overall co-ordination, National Load Despatch Centre (NLDC) at Delhi with back up at Kolkata is under implementation and is expected to be completed by 2008-09.

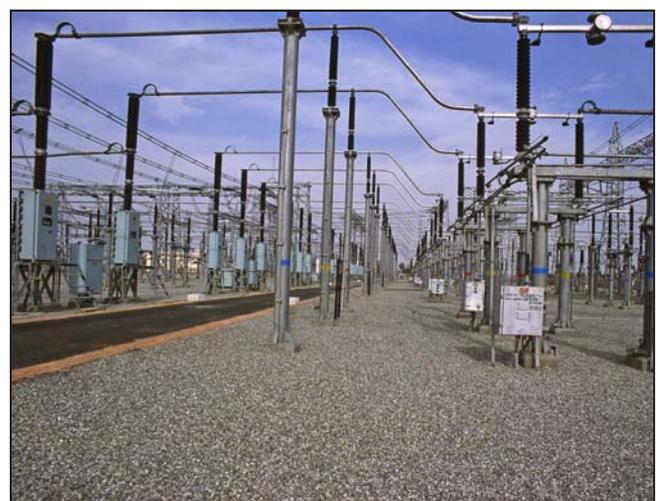
With modernisation of RLDCs and implementation of various inter-regional links by POWERGRID, inter-regional power exchange has grown manifold. During FY 2006-07, about 38,000 MUs of inter-regional energy transfer was facilitated, an increase of about 10% compared to previous year (about 34,800 MU). Growth of inter-regional power exchange has helped in meeting more demand in energy deficit regions besides achieving overall economy. Such an inter-regional transfer of power has helped the constituents of exporting regions by way of reduction in fixed generation charges and benefited constituents of importing regions by mitigating their power shortages.

Due to various initiatives taken by POWERGRID, number of grid disturbances have consistently come down and **there was no grid disturbance (major or minor) in any part of the country during last 4½ years**. Further, tripping of lines and minor grid disturbances in regional grids have also come down significantly. I may mention here that each grid disturbance leads to a considerable economic loss to the nation.

The Indian Electricity Grid Code (IEGC) mandates that the frequency be maintained in the band of 49.0 – 50.5 Hz at all times. The frequency remained within the prescribed IEGC band for most of the period in 2006-07, signifying improvement in vital grid parameters and quality of power supply.

OPEN ACCESS

Present inter-regional power transmission capacity established by POWERGRID is facilitating flow of power across the country on real-time basis. This, together with open access in transmission, facilitates increased real-time transfer and trading of electricity thus, providing power at reduced price to the distribution utilities and ultimately benefiting the consumer.



POWERGRID, as grid operator and the Central Transmission Utility, issued revised procedures and guidelines including e-bidding for short-term customers to facilitate non-discriminatory open access. During the year 2006-07, about 5787 transactions were approved in which about 23,297 MUs of energy was transacted under short term open access as compared to 3938 number of transactions involving 22,526 MUs of energy in the previous year, signifying remarkable increase.

In addition, energy worth about Rs. 6,766 Crore has been transacted (both inter and intra regional) through un-scheduled interchanges (UI) during 2006-07 as compared to Rs. 5,170 Crore during 2005-06, registering an increase of over 30%.

It is a matter of pride that POWERGRID, with its rich experience, is assisting various State Power Utilities in introducing Availability Based Tariff in their States; which according to National Electricity Policy is to be introduced at State level also. Consultancy for Implementation of Intra-State ABT was awarded to POWERGRID by Gujarat Electricity Board (GEB) and Punjab State Electricity Board (PSEB). Intra-State ABT Consultancy assignment in Gujarat is nearing completion. In addition, discussions for such consultancy assignments were held also with Uttar Pradesh, Chattisgarh, Delhi etc.

PROJECT IMPLEMENTATION

Integrated Project Management and Control Systems (IPMCS) adopted by POWERGRID continue to play significant role in expeditious implementation of projects with economy and well within required time frame. Project Review Meetings (PRM) at regular intervals also through video conferencing, pre-emptive measures and advance actions for various project linked activities like survey and soil investigations, procurement, etc. have contributed significantly towards timely implementation of projects.

During the year, we have added about **4,343 Ckt. Km.** of transmission lines, **11 new sub-stations** and transformation



capacity of **5,040 MVA**. These additions to POWERGRID's network have helped in improving power supply situation in various regional grids, facilitating enhanced inter-regional power transfer capacity and reliability of the system.



During the year, **19 new projects** worth about **Rs. 8,900 Crore**, involving **10,250 Ckt Kms** of transmission lines, **8** new sub-stations and transformation capacity of about **5,850 MVA**, were approved and taken up for implementation. As on the year end, a total of **54 transmission projects**, costing about **Rs. 30,000 Crore**, are under implementation and most of the projects are progressing either ahead of or on schedule.

Major projects commissioned during the year are:

- 400 kV S/C Jalandhar-Amritsar line
- 800 kV S/C Tehri-Meerut Transmission line-II (initial operation at 400 kV)
- 400 kV Dulhasti Transmission system
- 400 kV D/C Gorakhpur (UPPCL) – Gorakhpur line
- 400 kV D/C Lucknow-Unnao line
- 400 kV D/C Agra-Jaipur line
- 400 kV D/C Tala-Siliguri Line –II
- 400 kV D/C Biharshariff-Muzaffarpur line and LILO of Farakka-Jeerat at Subhashgram (new sub-station)
- 765 kV S/C Agra-Gwalior (initial operation at 400 kV level) inter-regional link
- 765 kV S/C Bina-Gwalior line (initial operation at 400 kV level) along with associated bays at Gwalior and Bina
- 400 kV D/C Vindhychal-Satna line and LILO of 400 kV D/C Satna-Bina (MPSEB) line at Bina
- 400 kV D/C Kahalgaoon-Patna line (one circuit) along with associated bays at Patna
- 400 kV D/C Patna-Balia inter-regional link (one circuit) along with new Substation at Balia
- 400 kV D/C Balia-Mau line(one circuit)
- 400 kV D/C Neelamangala-Mysore line
- 400 kV D/C Neelamangala-Somanahally line, etc.



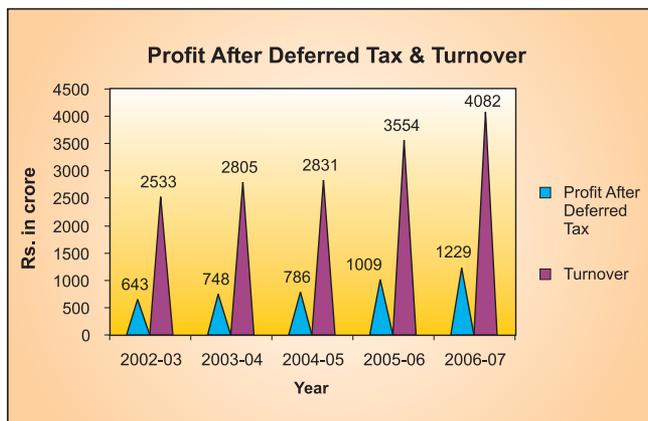
Major ongoing projects are:

- **Generation Linked:** Transmission System associated with Sipat-I (1980 MW), Vindhyachal-III (1000 MW), Sipat-II (1000 MW), Kahalgaon Stage-II Phase-I (1000 MW), Kahalgaon Stage-II Phase-II (500 MW), Neyveli-II Exp. (500 MW), Kaiga 3&4 (470 MW), Kudankulam APP (2000 MW), RAPP 5&6 (440 MW), Barh (1980 MW), Parbati -III HEP (520 MW), Gandhar-II (1350 MW), etc.
- **Grid Strengthening Schemes:** NR System strengthening schemes -I, II, III, V, VIII, System Strengthening Scheme III of Southern Region Grid, Vindhyachal-Korba, Bina Nagda, WR System strengthening schemes -I, II, III, IV, East -West & North-West Transmission Corridor strengthening schemes, ER System strengthening scheme-I, etc.
- **Load Despatch & Communication scheme:** National Load Despatch & Communication (NLDC) scheme to ensure smooth transfer of power between the regions and operation of National Grid.

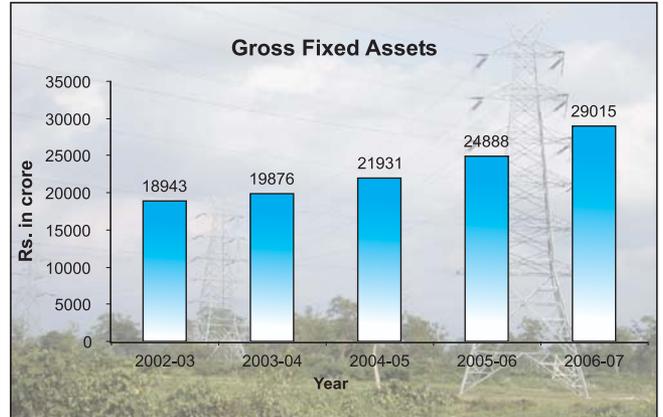
In addition, Feasibility Reports for **nine (09)** transmission schemes, with a total estimated cost of about **Rs. 14,200 Crore** (involving **8,079 ckms** of 765/400 kV transmission lines and **5 new sub-stations** with transformation capacity of **19,655 MVA**) were under various stages of investment approval.

FINANCIAL MANAGEMENT

Revenue of the company during the year has increased to **Rs. 4,082 Crore**, as compared to Rs. 3,554 Crore in previous year, signifying a growth of about 15%. Similarly, Profit after Tax during the year increased to **Rs. 1,229 Crore** from Rs. 1,009 Crore during previous year, registering a growth of about 22%.



With the commissioning of various projects, Gross Asset base of the Company has increased to about **Rs. 29,015 Crore** in 2006-07 from **Rs. 24,888 Crore** in 2005-06, an increase of more than 16%.



Your company has been taking all possible steps to improve its financial strength in emerging market conditions. These include taking up synergic business ventures such as telecom, consultancy assignments at national and International level in transmission, telecom and distribution sectors.

Dividend

For the financial year 2006-07, your company has proposed a final dividend of Rs. 254 Crore (in addition to interim dividend of Rs. 115 Crore), 30% of PAT, to the shareholders, an increase of 22% as compared to previous year (Rs. 302.68 Crore).

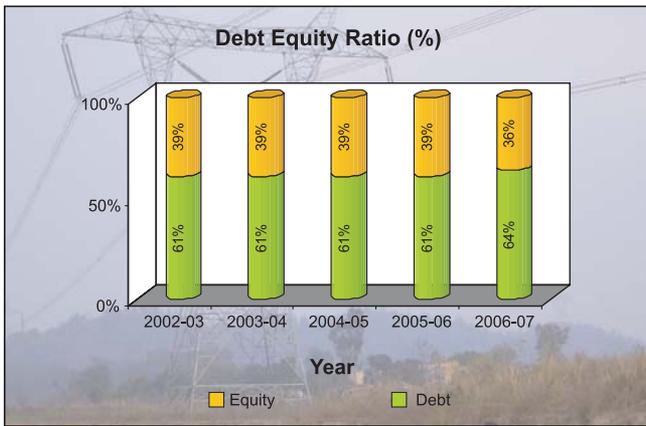


Share Capital

The entire paid-up share capital of the Company continues to be held by the President of India and his nominees. In March, 2007, face value of a share of the company which was at Rs.1000/- was split into 100 equity shares of Rs.10/- per share. Paid-up share capital of the Company as of 30th June,2007 stands at Rs.3826.22 Crore.

Ministry of Power, on 4th December, 2006, had conveyed approval of Government of India to issue an Initial Public Offer (IPO) not exceeding 24% of its paid up capital, in tranches, the first tranche being limited to 10% only, from domestic / external markets for augmenting resources of the Company to fund its investment

programme. Subsequently, approval of Government of India was conveyed by Ministry of Power, on 6th March, 2007, for disinvestment of 5% (five percent) of the Government of India shareholding in the Company through public offer. The Initial Public Offer (IPO) is of Rs. 57.39 Crore equity shares of Rs.10/- each, consisting of 10% (ten percent) of fresh issue of existing paid-up capital along with disinvestment of 5% (five percent) of the GOI shareholding in the Company.



Accordingly, POWERGRID filed its Draft Red Herring Prospectus with the Securities and Exchange Board of India (SEBI) on April 17, 2007 to come out with an IPO. While proceeds from the 10 percent fresh equity would be retained by the Company to part-finance up-coming projects, five percent portion would go to the Government.

Transfer of Profit to Reserves

Appropriation of profit towards General Reserve amounting to Rs.600 Crore, Rs.337.01 Crore towards Bonds Redemption Reserve and Rs.24.60 Crore towards Self Insurance Reserve has been proposed.

Directors' Responsibility Statement

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

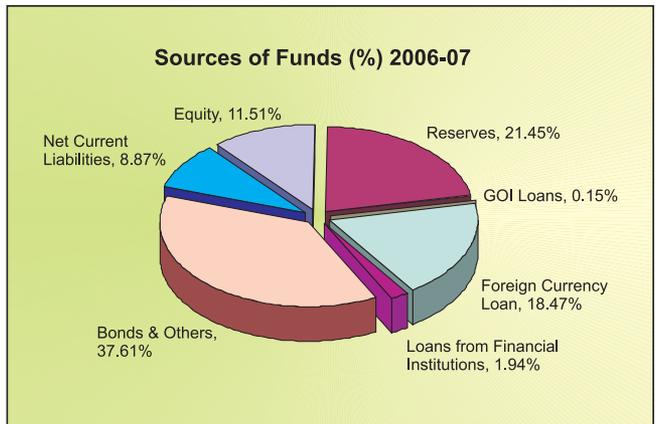
- In the preparation of the Annual Accounts, the applicable accounting standards have been followed.
- The Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of 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 have taken proper and sufficient care in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

- The Directors have prepared the annual accounts on a going concern basis.

FUND MOBILISATION

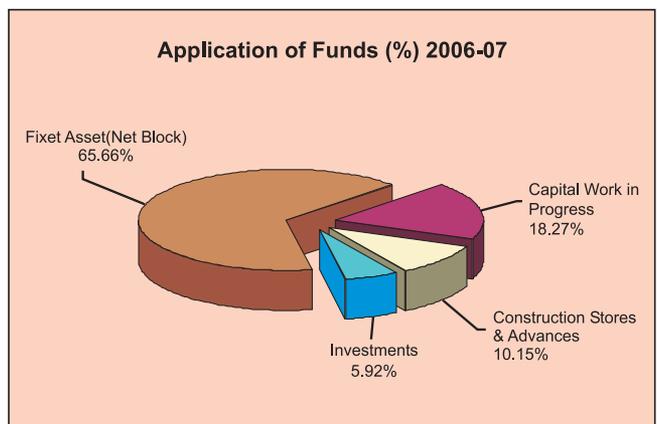
POWERGRID undertook capital investment of **about Rs. 6,329 Crore** during FY 2006-07, highest ever made by the company, for implementing various transmission projects, many of which are being advanced for commissioning earlier than their original schedule from system's consideration/ requirement. The investment during the year was 53% higher than that of previous year (Rs. 4,134 Crore).

The Company mobilized funds amounting to **Rs. 4,302 Crore** from domestic market through private placement of bonds at very competitive rates for meeting the capital investment made



in FY 2006-07. In addition to this, Net Budgetary Support (NBS) of Rs. 200 Crore was received during year. Balance requirement was met through ongoing loans from multilateral funding agencies and internal resources of the company.

Domestic credit rating agencies namely, CRISIL and ICRA have assigned AAA/ Stable (triple AAA with stable outlook) and LAAA for our Bonds Issue aggregating to Rs. 4302 Crore during FY 2006-07. These credit rating agencies have also assigned AAA (Highest Safety) and LAAA ratings for long-term borrowings indicating that the company is fundamentally strong with regard to timely payment of interest and principal amount.





Further, process of mobilization of additional loans from The World Bank (WB) and Asian Development Bank (ADB) were taken up to fund various transmission projects. Loan agreements were signed with The WB for USD 400 M (PSDP-III) in May'06 and the loan became effective for utilization in Dec'06. Similarly, proposals for multi tranche large size loans of USD 1 Billion with ADB & USD 1.6 Billion with The World Bank are being taken up simultaneously. Loan appraisal for USD 1 Billion (multi tranche loan) with ADB and Loan preparations for 2nd tranche of USD 600 Million out of total requirement of USD 1.6 Billion with The WB carried out during the year.

Performance during X five year Plan

POWERGRID, the Central Transmission Utility (CTU) of the country, is responsible for providing matching transmission network for generation capacity programme under Central Sector, implementation of various system strengthening schemes, load dispatch & communication schemes and inter-regional links. During X five year Plan, POWERGRID made an investment of about **Rs. 18,865 Crore** against the approved outlay of **Rs. 21,370 Crore**.

The shortfall was mainly due to deferment and rescheduling of various planned generation projects, cost savings achieved in implementation of various projects, certain System Strengthening projects envisaged to be implemented by POWERGRID were subsequently taken up by States, change in scope of Telecom business etc. In order to meet grid requirement, various new strengthening schemes were taken up for implementation from time to time.

The key financial parameters have witnessed a quantum jump during the X five year Plan period as indicated below:

(Figures in Rs. Crore)

Parameter	At the beginning of X Plan (end of Mar' 02)	At the End of X Plan (2006-07)	Growth (%)
Turnover	2,456	4,082	66
Net Profit	689	1,229	78
Gross Asset Base	13,777	29,015	111
Networth	6,757	10,688	58

On the physical performance front, POWERGRID added about 19,170 Ckt. Kms of Extra High Voltage transmission lines, 36 no. of EHV sub-stations and Power transformation capacity of about 25,130 MVA during X Plan, thereby enhancing its overall transmission network to 59,461 Ckt. Kms, 104 sub-stations and

59,417 MVA of transformation capacity by end of X Plan. Growth of POWERGRID's transmission network during X Plan is as indicated below:

Parameter	At the beginning of X Plan (end of Mar' 02)	At the End of X Plan (2006-07)	Addition during X Plan
Transmission network (CKM)	40289	59461	19172
Sub-stations (Nos)	68	104	36
Transformation Capacity (MVA)	34288	59417	25129

During X Plan, POWERGRID has completed most of its projects on or ahead of schedule. No constraints in evacuation of power have been faced. Major projects commissioned by POWERGRID during X Plan period included:

- **Generation linked schemes:** Chamera-II, Ramagundam-III, Tarapur 3&4, Rihand-II, Dhauliganga HEP, Tehri-I, Tala HEP, Dulhasti Combined, Kahalgaon Phase-II Part-I (part), etc.
- **Grid strengthening schemes:** Strengthening of transmission system in Southern Region, Bihar grid strengthening scheme, Meramundali-Jeypore, Madurai-Thiruvananthapuram, Raipur-Chandrapur, Jalandhar-Amritsar line, Neelmangala-Mysore, Neelmangala-Somanahally, etc.
- **Inter-regional links:** Sasaram HVDC Back to Back link, Talcher-Kolar HVDC Bipole; Asia's longest HVDC link, Raipur-Rourkela 400 kV D/C line including TCSC (Synchronous interconnection between Eastern and Western Region), 2nd Module of Gazuwaka HVDC, Muzaffarpur-Gorakhpur 400 kV D/C line (part of Tala transmission system), Agra-Gwalior 765 kV S/C line (operating at 400 kV level), Patna-Balia 400 kV D/C line (part of Kahalgaon Phase-II, Part-I), etc.
- **Modernisation of Load Despatch Centres;** Modern Regional/ State / Sub-State Load Despatch Centres and dedicated communication schemes at an estimated cost of about **Rs. 2000 Crore** were set up during X Plan.

During X Plan, inter-regional power transfer capacity of the National Grid has been enhanced by 9,100 MW, i.e. from 5,000 MW at the beginning of X plan to 14,100 MW at the end of X Plan.

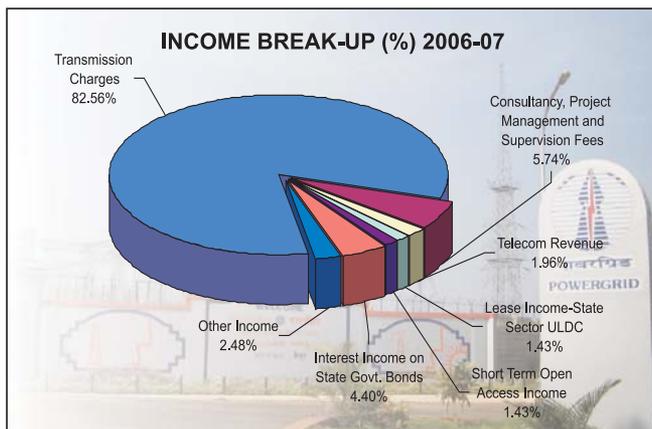
XI Plan proposed outlay

Investment programme of POWERGRID for XI Plan has been estimated based on envisaged generation capacity addition in Central sector and other generation projects for which

transmission system is required to be built by POWERGRID including Ultra Mega Power Projects. Based on this, it is estimated that POWERGRID's investment programme for XI Plan period would be about **Rs. 55,000 Crore**. POWERGRID shall be able to mobilise resources for meeting the above capital investment. Loans to the tune of about Rs.15,520 Crore are proposed to be mobilized from multilateral funding agencies/ supplier's credit and about Rs. 22,980 Crore from domestic sources on yearly basis as per requirement. Equity requirement of about Rs.16,500 Crore would be met through internal resources expected to be generated from the company's operations, proposed Initial Public Offering (IPO) and enhanced business activities in Consultancy & Telecom, additional short term loans for meeting working capital requirement, sale of securitized bonds, etc.

COMMERCIAL PERFORMANCE

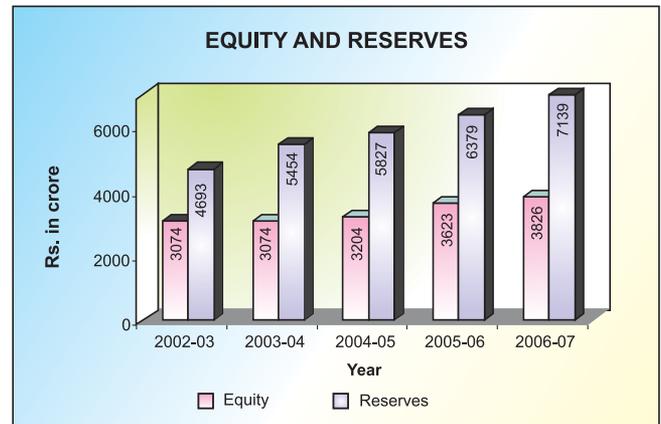
POWERGRID's performance on commercial front in terms of revenue realisation has been excellent. Current realisation of about Rs. 3,981 Crore stood at 100% of billed amount during the year 2006-07. POWERGRID is continuously realising 100% of its current receivable dues for the last three years. In addition to above, outstanding dues amounting to Rs. 11 Crore were also recovered during the year. Post-securitisation 90 days outstanding



as on 31-3-2007 stands at nil. Due to POWERGRID's persistent efforts, there has been appreciable improvement in Letter of Credit (LC) availability at **Rs. 261 Crore**. The present LC coverage is equivalent to **99%** of average monthly billing.

TOWARDS NATIONAL GRID

A strong all-India grid would enable exploitation of unevenly distributed generation resources in the country to their optimum potential by providing enhanced margins in inter-regional transmission system. Towards this, POWERGRID has implemented / implementing various inter-regional projects for establishment of National Power Grid in a phased manner to ensure optimum utilization of generating resources, conserve eco-sensitive right-of-way and for having flexibility to accommodate uncertainty of generation plans.



With commissioning of Muzaffarpur-Gorakhpur high capacity 400 kV D/C line during the year, Indian Power Sector entered into a new era in which four regional grids, i.e. Northern, Western, Eastern and North-Eastern Regions are now operating as one synchronous grid with total installed capacity of about 90,000 MW. It is a major milestone towards achieving the long cherished dream of National Grid. Following is what we heard from Hon'ble Union Minister of Power on the occasion:

"I congratulate the Chairman of the Power Grid Corporation and all his Engineers and Associates on the historic occasion of completion of synchronous interconnection of the electricity grid of Eastern, North Eastern, Western and Northern Regions to transfer power to deficit areas and to make equitable distribution of power to all regions in the country."

Other milestones achieved during the year towards enhancement of National Grid capacity were commissioning of high capacity interconnections between Northern and Western and Northern and Eastern Regions. These interconnections would promote economic exchanges by facilitating transfer of power across the country.

With establishment of above interconnections during the year, inter-regional power transmission capacity of National Grid has been enhanced to 14,100 MW from 9,500 MW at the end of FY 2005-06.

Inter-regional power transmission capacity of the National Grid is further proposed to be enhanced to more than 37,000 MW by 2012.

NEW TECHNOLOGICAL INITIATIVES

POWERGRID continues to give major thrust to R&D activities and seamless integration of new technologies to achieve sustainable growth and to improve quality of power supply while optimizing upon the cost of delivered power. Many technological initiatives have been undertaken by POWERGRID and notable among them are application of series compensation / Thyristor Controlled Series Capacitor (TCSC) on EHV lines, phase-wise development of environment friendly high capacity transmission systems using tall & compact towers and high temperature (210°C) endurance



conductor, automation & remote operation of substations, Gas Insulated substation (GIS), optimisation of bay width in substations for reduced land requirement, GPS/GIS based transmission line route survey, High Surge Impedance Loading Lines (HSIL), etc.

These advance technologies have resulted in optimum utilization of existing infrastructure, Right-of-way, land for substations, protection of wild life and flora & fauna, etc. Major achievements on technological front during 2006-07 are:

- **Application of Series Compensation/Thyristor Controlled Series Capacitor (TCSC) on EHV line.**

POWERGRID implemented series compensation including TCSC on Purnea-Muzaffarpur 400kV D/C(Quad), Muzaffarpur-Gorakhpur 400kV D/C (Quad), Rengali - Indravati 400kV S/C, Meramundali-Jeypore 400kV S/C and Jeypore – Gazwaka 400kV D/C transmission lines. With implementation of these schemes, power transmission capacity has been enhanced by about 2,600 MW with saving of about Rs. 930 Crore.

- **Conservation of environment - use of high capacity 400kV, 765kV transmission lines with Tall & Compact towers**

POWERGRID commissioned 765kV lines namely, 765kV Agra - Gwalior interconnecting Northern & Western Regions and Gwalior - Bina in Western Region (operating initially at 400 kV level). Further, 765kV Sipat - Seoni line is under implementation. About 5,000 ckt kms. of 765kV lines are being planned for implementation in next 5 years.

765kV S/C compact delta tower configurations have been developed and tested which help in reducing Right-of-Way requirement from 85m to 64m resulting in forest & Environmental conservation.

High capacity multi-circuit towers (i.e more than two ckt. per tower) are being designed to accommodate 4 circuits in forest stretches. 400kV D/C Pole type tower structure is being implemented in areas of high population density and for integration of transmission line to surrounding environment aesthetically.

Technologies for future:

- **Development of high capacity ± 800 kV 6000 MW HVDC System**

POWERGRID has already commissioned ± 500 kV 2000 MW HVDC bipole between Talcher & Kolar and another 2500MW Balia-Bhiwadi HVDC Bi-pole is under implementation.

POWERGRID is now planning to implement ± 800 kV, 6000 MW HVDC Bi-pole line from North Eastern region to Northern Region (Agra). This shall be the first of its kind (± 800 kV HVDC line) in the world having largest power carrying capacity and transferring power over more than 2000 Kms.

- **Development of 1200kV UHVAC super grid**

In order to transfer bulk power over longer distances to meet growing requirement and to take care of environmental considerations, development of ultra high capacity transmission systems comprising 1200kV UHVAC overlaying existing 400/765kV system is being explored.

- **Intelligent Grid – Efficient Grid Management**

Keeping in view complexities of grid operation in a dynamically changing electricity market, continuous upgradation of the load dispatch centres through technologies like **Intelligent Grid** comprising Wide Area Monitoring, Adoptive Islanding, Voltage Security Assessment, Dynamic Security Assessment is also being explored.



INITIATIVE FOR STRATEGIC ALLIANCES

POWERGRID has been successful in facilitating private investment in transmission sector. POWERGRID's first Joint Venture project, Transmission System associated with Tala Hydroelectric Project, East-North Interconnector and Northern India Transmission System, with M/s Tata Power was commissioned successfully in August, 2006.

Transmission system associated with Koldam & Parbati-II is the second project proposed to be executed on JV route. The total estimated cost of the project is Rs. 660 Crore. All agreements related to formation of JV have been finalized and are expected to be signed, after receiving necessary clearances from Govt. of India. POWERGRID's equity in this project shall be 26% and balance 74% would be of Joint Venture partner.



POWERGRID is extending helping hand to Independent Power Producers (IPPs) for development of their dedicated transmission systems on consultancy basis or through Joint Ventures. In this direction, POWERGRID has signed MoUs with following five private producers for formation of Joint Ventures for implementation of transmission schemes worth about Rs. 5,000 Crore.

- 740 MW gas based combined cycle power project at Pallatana, Tripura (M/s IL&FS / ONGC)
- 1500 MW gas based power plant at Hazira, Gujarat (M/s Essar Power Ltd.)
- 1200 MW Teesta-III Hydro Electric Project in Sikkim (M/s TEESTA Urja Ltd.)
- 1000 MW Karcham-Wangtoo Hydro project (M/s Jaiprakash Hydro Ltd.)
- 1100 MW generation project at Surat (M/s Torrent Power AEC Ltd.)

Out of above, two Joint-Venture Companies namely, M/s Torrent Power Transmission Private Limited (now known as M/s Torrent POWERGRID Limited) and M/s Jaypee POWERGRID Limited have been established.

Besides, POWERGRID is also facilitating implementation of transmission lines under Western Region Strengthening scheme-II (Sets B&C) at an estimated cost of Rs. 1600 Crore through 100% private sector participation (IPTC route) in line with CERC directive.

PERFORMANCE IN TELECOM

POWERGRID had diversified into Telecom by installing Optical Ground Wire (OPGW) on transmission towers, leveraging its country wide transmission infrastructure. The road map of establishing backbone telecom network included installation of about 20,000 kms connecting about 60 cities including all metros, major towns and cities, rural/un-served areas. Out of this, more than 19,000 kms of Telecom Network has already been installed and connectivity has been provided to all metros, major cities & towns like, Delhi, Chandigarh, Jammu, Srinagar, Jaipur, Lucknow, Mumbai, Ahmedabad, Pune, Hyderabad, Bangalore, Chennai, State capitals in North-Eastern Region etc.

POWERGRID has acquired NLDO License from DOT in July 2006, in addition to IP-I, IP-II and ISP, category-A licenses, to increase its customer base and portfolio of services rendered. POWERGRID is one of the few telecom players with marked presence in difficult areas like North Eastern Region, J&K, Himachal Pradesh etc. and providing highly reliable services. We are serving major telecom players in mobiles & NLDO segment and have also tapped customers in entertainment and broadcasting industry. Aggressive marketing efforts are being made to tap business from Banking, Corporate & Government sector (Central/ State for E-governance), Army, etc.

In spite of stiff competition from large Telecom players, POWERGRID's Telecom Business has registered revenue of about Rs.78 Crore for the year 2006-07 Compared to Rs.38 Crore during the previous year. During the year, POWERGRID has bagged several prestigious orders.

The year also marked substantial growth in capacity provisioned for various Customers and total configured capacity is 13185 E1s, an increase of 286% over last financial year. POWERGRID has initiated negotiation for sale of bulk capacity to new Telecom players and Licensees in new circles.

BUSINESS DEVELOPMENT & CONSULTANCY

POWERGRID is executing various consultancy assignments in the areas of Planning, Engineering, Load Despatch & Communication, Telecommunication, Contracting, Financial and Project Management, as a part of Business Development activity in India and abroad.

We emerged as a strong player in transmission sector in South Asia. Our most important assignment has been execution of transmission projects in Afghanistan, costing about Rs. 420 Crore to lay a 200 Km long 220 kV transmission line passing over Hindu Kush region at a height of 4000 mtrs above sea level, which is covered with snow for 9 months in a year. In line with its past performance, POWERGRID is all set to complete this project, ahead of schedule. We have also secured consultancy assignments in Nepal & Bhutan.



The consultancy fee realised by POWERGRID during the year was about Rs. 226 Crore as compared to Rs.155 Crore realized during 2005-06, an increase of over 46%.

During FY 2006-07, POWERGRID secured consultancy assignments with order booking exceeding Rs. 235 Crore in Consultancy fee and Rs. 2,220 Crore in project cost. Consultancy assignments have been received from various Private and State owned power generating companies, State power utilities with areas of work ranging from system studies, preparation of DPR, review engineering and training to Turnkey execution of sub-station and transmission line projects as well as APDRP and Rural Electrification works, etc.



Cumulatively, POWERGRID has received more than 215 consultancy assignments with consultancy fee of about Rs. 990 Crore and project cost of about Rs. 9,560 Crore till March, 2007.

Some of the major overseas consultancy assignments secured by POWERGRID during the year included:

- a) Procurement and installation of OPGW and associated equipment for 220 kV transmission line from Kabul to Phul-e-Khumri line for **Ministry of Energy & Water, Islamic Republic of Afghanistan**. POWERGRID is constructing this transmission line on behalf of Government of India under assistance program to Afghanistan.
 - b) Undertaking Reactive Power Control studies for the "North East Transmission System", planned for enabling import of power from neighbouring countries Uzbekistan, Turkmenistan and Tajikistan for **Ministry of Energy & Water, Islamic Republic of Afghanistan**. The assignment is funded by The World Bank.
 - c) Tender Evaluation and Construction supervision for Power Transmission and Distribution project for **Ministry of Energy and Water, Govt. of Afghanistan** being funded by ADB, involving construction of 220/110 kV transmission lines along with distribution networks and connections to 91000 households in Northern, Eastern and Southern Regions of Afghanistan.
 - d) Undertaking field survey & preparation of bid documents for Turkmenistan-Sheberghan transmission line for **Advance Engg. Associates International, inc (AEAI)**, funded by USAID.
 - e) Turnkey construction of 3 nos. 33kV substations at Yurmoo, Trongsa and Bumthang & 18 kms. of 33kV line between Yurmoo and Trongsa for **Bhutan Power Corporation (BPC)**.
 - f) Implementation of NLDC at Thimpu in Bhutan to POWERGRID for **Bhutan Power Corporation (BPC)**.
- These projects have strengthened Indian presence and involvement in the reconstruction process in Afghanistan and have also enhanced international profile of POWERGRID.
- Some of the major domestic consultancy jobs secured by POWERGRID during the year 2006-07 are as under:**
- a) Turnkey execution of 400 kV D/C line from Pallantana (Tripura) to 400 kV POWERGRID S/S at Bongaigaon on cost plus Basis for **ONGC Tripura Power Company (OTPC)**.
 - b) Turnkey execution of 400 kV D/C line from Meramundali to Duburi as deposit work on cost plus Basis at an estimated cost of Rs. 77.25 Crore for **Orissa Power Transmission Corporation Ltd. (OPTCL)**.
 - c) Turnkey execution of various Transmission Lines and augmentation of sub-stations for Electricity Department, Govt. of Puducherry.
 - d) Inspection and certification assignment for the communication towers of different heights at eight sites located in border areas from **ASCON** (Army Static Switched Communication Network). This was a first major inspection & certification of communication towers package awarded to POWERGRID in the Defence Sector till date. With this, POWERGRID would be diversifying in other areas and this will add value to POWERGRID for future assignments.
- Besides above, POWERGRID has submitted Expression of Interest in various countries like Vietnam, Kenya, Afghanistan, China, Bangladesh, Nigeria, Kazakhstan etc.

CONTRIBUTION IN DISTRIBUTION REFORMS

Govt. of India's schemes of **Accelerated Power Development and Reforms Programme** and **Rajiv Gandhi Grameen Vidyutikaran Yojana** are major initiatives towards bringing qualitative improvement in the distribution sector. POWERGRID has taken lead role in these schemes of nation building.

● Accelerated Power Development & Reforms Programme (APDRP)

Under this scheme, POWERGRID is acting as Advisor-cum-Consultant (Acc) to lend its techno-managerial expertise for improvement of distribution system and their financial performance in 178 distribution circles/ towns/ schemes

spread over 18 States costing about **Rs. 7,450 Crore**. These schemes once completed are expected to bring qualitative change in the operation of distribution sector in the country.

POWERGRID is also implementing various network expansions and strengthening schemes of about **Rs. 1,315 Crore** on behalf of seven (7) States - Bihar, Goa, Uttar Pradesh, Gujarat, Meghalaya, Tripura and Mizoram on deposit work basis under bilateral arrangement. Major portion of these works in Bihar, UP & Goa have been completed. During the current year, POWERGRID undertook projects worth about Rs. 220 Crore in this area.

● **Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY)**

Under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), POWERGRID has been assigned the responsibility of implementing rural electrification projects in 9 States namely Bihar, Uttar Pradesh, West Bengal, Rajasthan, Gujarat, Orissa, Chhattisgarh, Assam and Tripura involving approximately 88,290 villages of 68 Districts. These works are estimated to cost about **Rs. 9,400 Crore**.



POWERGRID's share in total rural electrification work of the country is 30%. In 2006-07, POWERGRID successfully created infrastructure for electrification of 14,640 no. of villages of Bihar, Uttar Pradesh, West Bengal, Gujarat and Rajasthan, out of country-wide achievement of 40,000 villages. It is a matter of pride for POWERGRID that despite it not being its core area of functioning, excellent performance is displayed and is being lauded by one and all.

POWERGRID is conscious that APDRP and RE jobs are time bound in nature and thus we have been extraordinarily careful in deploying manpower for these projects. Instead of appointing additional manpower for the purpose, we reviewed our regular manpower norms and could spare a few executives for this business. Out of the total deployment for this business more than 30% have been deployed from our regular

workforce. Rest of the requirement was met through young Engineers taken on contract and retired experienced field engineers thereby constituting an appropriate blend of experienced and young workforce.

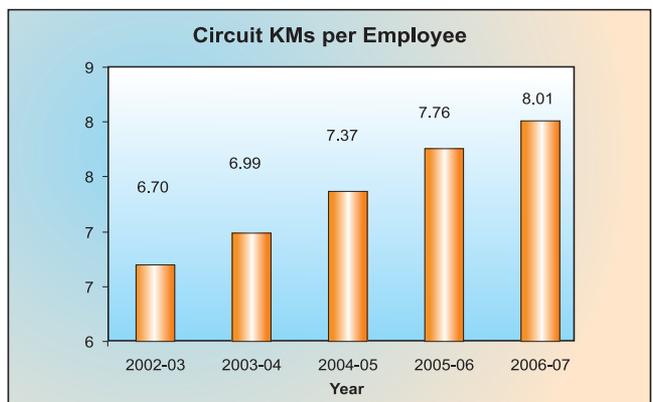
Sub-transmission:

During the year, POWERGRID completed the balance works of Phase-I of Bihar sub-transmission scheme, implemented on bilateral basis, at an approved cost of Rs. 550 Crore. In this, 16 nos. of Grid sub-stations out of 17 nos. and associated 220/132 and 132/33 kV transmission lines under the scheme have been taken over by Bihar State Electricity Board (BSEB).

We also took up implementation of Phase-II, Part-I of the Bihar Sub-transmission scheme, at an estimated cost of Rs. 629 Crore. In addition to this, Phase-II, Part-II of the scheme at an estimated cost of **Rs. 1512 Crore** is under finalisation with CEA, BSEB, MoP and Planning Commission.

E-GOVERNANCE:

POWERGRID has made remarkable strides in the area of Information Technology (IT) 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 Multi Locational Video Conferencing System, Inspection Management System on Internet-based B2B platform, Engineering Project Management System, Enterprise-wide Converged IT and Communication System, state-of-the-art 1200 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 its Website (www.powergridindia.com) and has launched Web-based Vigilance Complaint Management System. POWERGRID has also initiated actions for implementation of Enterprise Resource Planning (ERP). POWERGRID has also won the Microsoft Windows Challenger Contest organized by Microsoft internationally on the subject "Implementation of Windows Server System". It has achieved a global recognition by being amongst World's top 25 and India's three winners of this contest.





POWERGRID is committed to principle of good governance in all the dimensions of its functional areas for the benefit of Organizational Business, Government, Employees, Clients – State Electricity Boards and other consumers, Business Partners, Citizens and Society at large. Information Technology has a vital role to play for accomplishment of the mission of good Governance and hence the need of E-governance. POWERGRID has embarked on an ambitious plan for E-Governance and adapted a holistic approach for implementation of the E-Governance plan in all the above dimensions of its functions. The sustained growth of excellence in performance achieved so far which has earned recognition for the organization is largely attributed to the



successful implementation of the E-Governance plan in the organization. It is imperative that in the dynamic scenario of liberalization and competition in the fast growing Indian power scenario, E-Governance is the most effective tool for increasing productivity as well as time and cost cutting. POWERGRID is making all out efforts for successful transition E-Governance. Major IT endeavours during the year include the following:-

- National Power Monitoring Centre at MOP has been established as apex monitoring setup for country wide power scenario of Central and State power projects as well as grid operational status. It facilitates quick & timely information exchange, improved coordination with all Power Utilities and Comprehensive Monitoring resulting in expeditious completion of project.
- Asset Management System has been designed in-house for organizational asset database and maintenance management. The system would ensure efficient maintenance management through storage of all the transmission asset details and its maintenance record in standard formats in central databank. It will provide comprehensive and accurate inventory of the major item of POWERGRID's transmission assets. Trends of tests/parameters for equipment can be easily analyzed. It provides enquiry, analysis and reporting facilities which enable the users to interrogate the data. This system also enables scheduling and monitoring of maintenance of all sub-stations equipments as well as lines. All reports as per Controlled Documents can be generated easily by the users.

Efforts are being made to facilitate Maintenance Team to directly punch data in hand held devices like PDA from the field itself and then later on synchronize that data to the main web application.

- Online Engineering Drawing/Document Repository is now available that contains electronic document repository of all standard transmission line drawings and technical specifications of various equipment for ready reference by our team of Engineers.
- **E- Enablement of TRAINING activity:** Training site is designed on Company's Intranet POWERPORTAL which facilitates knowledge repository of presentations given by faculty during various training programs. Training notification, Nomination, online feedback, training need analysis can be done online through this site.
- Rajbhasha intranet site designed in-house to promote usage of official language by facilitating employees to online Technical English-Hindi Dictionary and templates of documents used for official correspondence.
- **Online Library System:** Online application designed in-house to facilitate functioning of Library that includes online issue/return of books resulting in easy management of Library function.

ENVIRONMENTAL AND SOCIAL SAFEGUARDS MANAGEMENT

With ever increasing threat of climate change, environmental degradation due to increasing pollution and growth is a major area of concern today. Therefore, more than ever before, environment management and its conservation have now assumed paramount importance not only for the organizations in India but also for the countries all over the world, be it a developed or developing. Fortunately, POWERGRID's contribution towards environmental degradation is almost negligible, however we strongly believe that conservation and management of environment is an integral/essential part of development.



Following the principle of environmental management, POWERGRID has evolved **"Environmental and Social Policy & Procedures (ESPP)"** in consultation with wider section of people to take care of environmental and social issues arising out of its projects. The provisions of ESPP have been upgraded and modified through a committee constituted with eminent persons and experts in this field, in line with changes in Laws/ guidelines/ rules to make it up to date and matching with best international practices.



This ESPP document, inducted in our corporate functioning help us to address all environmental and social issues at appropriate time. The coverage, quality and richness of this document, i.e. ESPP had been applauded by various agencies/stakeholders including multilateral financing agencies, The World Bank, Asian Development Bank, etc. It is worth mentioning that POWERGRID is the first public sector company to have Corporate Environment & Social policy in place in the country and is implementing it in its true letter and spirit.

Towards conservation of natural resources particularly forest, POWERGRID has achieved tremendous success after implementation of ESPP. The data shows that forest involvement, which was about 6% of total 27,000 ckt. kms. till 1998 has come down to 2% in about 33,000 ckt. kms. constructed during last 9 years after implementation of ESPP. Other initiatives undertaken by POWERGRID towards protection of natural resources and environment conservation included innovative tower structure designs including tall towers, multi-circuit towers in ecologically sensitive areas, which reduces Right-of-Way requirement, rain water harvesting and collection of used/waste water for conservation and recharging of ground water table in all upcoming buildings and substations, massive plantations in all POWERGRID installations, etc.

It would be appropriate to add that these achievements have not only provided us the much needed motivation but has enhanced our quest for further improvement and excellence. To

monitor compliance, we have introduced the system of internal and external monitoring in which experts from ESPP review committee are auditing our projects to ascertain the level of compliance.

POWERGRID in association with The World Bank has made beginning in developing one of its prestigious and technologically most advanced project connecting North-East to Northern Region for transfer of clean and green power from far-flung areas of North-East to Northern Region as a **Clean Development Mechanism (CDM)** project under Kyoto Protocol for reduction of millions of tons of Green House Gas (GHG) Emission. Once approved by the United Nation Framework Convention on Climate Change (UNFCCC), this would also provide additional revenue from sale of Certified Emission Reduction (CER) which shall be used for providing clean and cheap electricity to its stakeholders.

PEOPLE, OUR PRIME MOVERS

Management of Human Resource

POWERGRID strongly feels that its human resources consisting of about 7,400 employees is the strength of the organization and accordingly its policies are focused on development of human potential through empowerment and job exposure to achieve organizational objectives. An effective work culture is in place which has been established through transparency, decentralization, well laid out procedures and free flow of two way communication between the decision makers and those who execute the decisions.



POWERGRID's performance against MoU Targets has been excellent with the continuous efforts of Human Resource. The higher productivity can be gauged by increase in ratio of Ckt Km per employee from 3.93 Ckt. Kms. in the year 1992-93 to 8.01 Ckt Kms during 2006-07. Profit per employee increased from Rs. 4.2 lakhs in FY 1992-93 to Rs. 16.55 Lakhs in FY 2006-07.

POWERGRID is conscious about achieving its target while keeping the rise in manpower within control. On the other hand it is conscious about inflow of youth in the organization so that there is continuous rise in the energy level with new ideas in the



organization. The recruitment in the year 2006-07 has been focused thus. New batch of 174 Executive Trainees were recruited after an open advertisement and online registration, written tests on all India basis and interviews conducted in shortest time schedule. Young executives in Corporate Communications, Civil, Information Technology and Electrical discipline were also recruited.

POWERGRID Developed in-house HR website providing online access of information across POWERGRID resulting in quick access of employees data for timely action, reduced paper work, non-repetition of activities, physical movement of files, etc. Now, all Circulars, Transfer Orders, Promotion Orders and important news are published on the HR website resulting in reduced FAX/ Phone usage and improving quality communication.

A step towards HR Audit & Competency Mapping exercise was initiated during the year. We successfully conducted HR Audit through online employee survey across the organization and phase-II of assignment i.e. Design of Competency has commenced.

Human Resource Development

In the present business environment with particular reference to challenges being faced in Indian power sector, POWERGRID believes that a single factor which will provide the Corporation a major impetus is its human resource and accordingly focus has now been shifted from conventional training to integrated development of employees. As part of our commitment to employee development, empowerment and adherence to the norms, it has been ensured that the Employee Development Centres at Kishenpur, Itarsi, Hyderabad and Misa qualify the prescribed standards and accordingly have been accredited by Central Organizations. To update and enhance skills in line with



emerging new technologies, POWERGRID has entered into academic and institutional collaborations with reputed technical and management institutions and expose the employees to hands on training on new equipment for overall operational excellence.

For enhancing managerial effectiveness and as a step towards development of future leaders, Corporation is also sponsoring employees for MBA programmes. POWERGRID has established a very rich library comprising of technical and managerial books, journals, standard reports and other materials for easy access to the employees and is in the process of introducing effective e-learning across the board.

This year approximately 2,500 employees, about one third of the total strength have undergone in-house and external training which include programmes such as SCADA, sub-station automation & remote operation, International business management & global practices, Data Analysis skills for decision making, Emotional Intelligence, etc. POWERGRID has also taken up training of employees in other power utilities and State Electricity Boards within the country and overseas.

Our organisation also encourages self development of employees by promoting schemes for pursuing higher education, sponsorship and incentives on acquiring higher qualification. We also encourage our employees to take membership of professional bodies by reimbursing the professional fee.

We believe that training, re-training and redevelopment lead to employee involvement and empowerment fostering salutary culture & productive work environment which hold the key for HR excellence leading to business excellence.

Employee welfare

There is a life beyond workplace and POWERGRID appreciates the same. To begin with, POWERGRID assisted employees in fulfilling their life-time dream of acquiring a 'house' of their own and 'vehicle' for employee and his family members. A township near workplace housing "Recreation Centre" with indoor/ outdoor sports facilities as well as all basic amenities has been provided to benefit employee and his family members. A 24-hour dispensary is also established in POWERGRID Township, which is also open to non POWERGRID employees, thereby giving medical facilities to people living in vicinity of our Township.

Keeping in view the changing needs and welfare of employees, various policies and rules are revised / amended from time to time. Executives health check-up scheme has been introduced, benefits have been extended to those employees who are posted at hardship stations of NR-II, Workmen Promotion Policy has been amended etc. - to name a few.

Cultural activities like 'Kavi Sammelans', 'Gazal' programmes are conducted periodically to give meaning to life and entertainment. A school up to class XII with a tie-up with best Institution near Township premises has also been set up for convenience of employees and their children. To enhance community feeling and emotional engagement of employees various events like Diwali get-together, Holi Milan and New Year eve are regularly celebrated in the township.

Social justice

POWERGRID, in order to provide social justice to underprivileged sections of society i.e. Scheduled Caste, Scheduled Tribe, Other Backward Class, Persons with disability, Minorities, Women etc. has extended due opportunity to them in line with Govt. of India directives in our recruitment. To achieve prescribed percentage of reservation and to ensure that reserved category are not deprived of benefits and concessions, Corporation has notified Liaison Officers and has established Liaison cells in Corporate Centre and in Regions. These officers were made responsible for ensuring implementation of Presidential directives as well as various orders issued by the Govt. of India. During the year, we have recruited 181 such persons. Besides providing employment, periodical training is also imparted for these categories in order to empower them for handling key responsibilities.

To protect employees from harassment or discrimination, an institutional mechanism is in force in the Corporation wherein a complaint register is available to monitor complaints and respective Liaison Officers are liable to attend these grievances. Exclusive refresher and awareness programmes are organised for reserved category employees at Corporate Centre and Regional offices to acquaint them with reservation policies, welfare guidelines, company policy on recruitment, systems and processes, etc. They are also nominated to external programmes for enhancing and upgrading their skills. Appropriate guidelines have been formulated and implemented for allround development & welfare.

For the well being of less-privileged members of the society, adequate budget provisions are also provided which also takes care of socio-economic development of such population around our establishments.

Citizen's charters

POWERGRID formulated its Citizen's Charters providing a visible front of its objectives, mission, commitments, terms of service

and its obligation to various stakeholders. Information about its schemes, policies, project plans of the Corporation and issues of general interest to stakeholders is available in POWERGRID offices. This information is also available on POWERGRID website and is updated from time-to-time. This is intended to provide all information on schemes, plans and practices to users outside the organisation as well as information about accessing the services.

Implementation of official language

POWERGRID, being a Government of India Enterprise, has proved its commitment to ensure implementation of Rajbhasha Policy of Govt. of India and is sensitive towards our heritage, social and cultural concerns. To promote Indian languages and Rajbhasha "Hindi", POWERGRID has tried many innovative ideas in all its office works.

To achieve the target as laid out in the Rajbhasha Annual Plan, POWERGRID has made all out efforts to ensure use of Hindi in all aspects of management at all levels in the Corporation. For increased use of Official language, various activities like organizing workshops to impart training in translations through 'Anuvad Abhyaas Karyakram' to each and every department, enhancing working knowledge through organizing computer trainings and Hindi classes, etc. Further, for changing mind set of employees towards extensive use of Rajsabhasha, lectures on heritage, social and cultural concerns are also being arranged by eminent scholars on regular basis.

To propagate Hindi, various activities like, Akhil Bhartiya Rajbhasha Sammelan, Kavi Sammelan (poetry sessions), Drama, Publication of Hindi Magazines/papers, various competitions and meetings, etc. are regularly organized. For providing further inspiration to work in Hindi, employees are nominated for external Hindi Training Programmes.





The efforts made by POWERGRID have been applauded in many forums like,

- 1) **Chal-Vaijayanti Shield** for the year 2005-06 – **First prize** by Ministry of Power.
- 2) **NTPC Rajbhasha Shield - First prize** by National Thermal Power Corporation.
- 3) Rajbhasha Grid Patrika Samman to 'Grid Darpan' by U.S.M. Patrika.
- 4) Rajbhasha Patrika Samman Shield to 'Grid Darpan' by Rashtriya Hindi Academy, Rupambara.
- 5) First and Second prize to regional office at Jammu & Shillong.

Renewed commitment to transparency

Efforts have been underway in POWERGRID to foster the role of vigilance as an essential management arm. A number of issues pertaining to deficiencies in the system received as feedback from various inspections, preventive vigilance workshops and vigilance investigations were standardized and adopted as a measure of systems improvement. Amendments made in various technical specifications as well as in Qualifying Requirements at the pre-award stages are some of the results of this exercise.

During the year, Vigilance Inspection Information System was introduced in order to aid quick decisions where replies and responses can be given by respondents online without waiting for files or note sheets to be processed, thereby reducing paper work and loss of time. Care was also taken to observe due protocol under this advanced online inspection monitoring and application software. It may be worthwhile to mention that all these system improvements were taken up with the help of in-house expertise including development of the VINS software.

With a view to improve vigilance administration by leveraging technology, renewed focus has been made on areas of bill payments to contractors/vendors, implementation of e-payments in Regions, registration of sub-vendors on website, e-procurement and issue of notification in newspapers describing facilities available on website of POWERGRID. Steps have been initiated to extend Web-based complaint handling system to our regional establishments also.

Besides above, preventive vigilance workshops being organized for executives has been given a new impetus by participation of various experts in the fields of technical and ethics management education. During the year, thrust in transparency in system and workplace has been emphasized by training as many executives in the intricacies of Right to Information Act.

During the FY 2006-07, 49 complaints were received, out of which 32 were signed complaints including 6 complaints referred to by the CTE's Organisation. Investigations into complaints resulted in issue of advisory memos in 16 cases and imposition

of penalties in 17 cases, while 9 cases are currently pending for initiation of departmental proceedings.

As part of its emphasis on preventive vigilance, POWERGRID continued its focus on inspections both at the Corporate and Regional levels. During the year, 119 inspections including 61 site inspections were conducted. On their basis, an amount of Rs.1,42,36,200/- has been recovered from contractors during the year. Besides, CTE's organization conducted 4 inspections



in POWERGRID, resulting in recovery of Rs. 1,21,21,000/-. While 734 paras were referred by the CTE, 361 CTE paras have been settled during the year.

A two day seminar on '**Corruption: Perspectives & the Way Ahead**' was organized on 8th and 9th of December, 2006 at Scope Complex, New Delhi which coincided with International Anti-Corruption Day falling on 9th of December. This seminar was organized in association with United Nations Office on Drugs & Crime and Institute of Social Sciences. It was inaugurated by the Director, CBI and the concluding session was presided over by the Central Vigilance Commissioner. It was attended by CVOs from PSUs, Vigilance functionaries, representatives from the media, activists and senior officials from POWERGRID. Shri N. Vittal, ex-CVC presided over the panel discussion session. Since this was the first time, such an event was organized by a PSU, it was lauded by the media and all the important people who were associated with it.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition to the issues in the Directors' Report, some issues have been brought out in report on Management Discussion and Analysis placed at Annexure-I.

PARTICULARS OF EMPLOYEES

The particulars of employees of the Corporation, who were in receipt of remuneration in excess of the limit prescribed under Section 217 (2A) of the Companies Act, 1956, is given in Annexure-II to this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

COMPTROLLER AND AUDITOR GENERAL'S COMMENTS

Comments on the accounts for the year ended 31st March, 2007 by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 are given in Annexure-IV to this report.

CORPORATE GOVERNANCE

A report on the Corporate Governance, forming part of this report, together with the Certificate thereon is given in Annexure-V to this report.

BOARD OF DIRECTORS

During the year, Shri U. C. Misra relinquished the post of Director (Personnel) w.e.f. 25th January, 2007 on his elevation to the post of Chairman of the Bhakhra Beas Management Board. Shri J. Haque, Director (Operations) superannuated on 31st January, 2007. The Board gratefully acknowledges the contribution made by them.

Further, in terms of the provisions of Article 31 (c) (iv) of the Articles of Association of the Company, Shri M. Sahoo, JS&FA also retired from the post of Director of POWERGRID on being relieved from the post of Joint Secretary & Financial Advisor, Ministry of Power w.e.f. 29th June, 2007. The Board wishes to place on record its deep appreciation and gratitude for his invaluable contribution and unstinted support to the company during his tenure as a Director.

Five Non-official Part-time Directors viz. Dr. P.K. Shetty, Shri M.S. Kapur, Prof. A.S. Narag, Shri Anil K. Agarwal, and Shri F.A. Vandrevale were appointed on the Board of POWERGRID vide O.M. No. 1/38/96-PG dated 10th July, 2007 of Ministry of Power. The Board extends a warm welcome to them.

ACKNOWLEDGEMENTS

The Board of Directors, acknowledges with deep sense of appreciation the guidance and co-operation received from the Govt. of India, particularly the Ministry of Power, Ministry of Finance, Ministry of Home Affairs, Ministry of Statistics and Programme Implementation, Ministry of Environment & Forests, Central Electricity Regulatory Commission, Appellate Tribunal for Electricity, Central Electricity Authority, Planning Commission, Department of Public Enterprises 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's special appreciation and thanks are due to our valued customers, various State power utilities as also to our valued consultancy clients, who have awarded various consultancy works to POWERGRID and reposed faith in POWERGRID's capability to handle them. The Board also appreciates the contribution of contractors, vendors and consultants for successful implementation of various projects by the Company.

The Directors take this opportunity to thank the Principal Director of Commercial Audit and Ex-Officio Member Audit Board-III for the in cooperation 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. The Board also conveys its sincere thanks to various national/international financial institutions/ banks/ credit rating agencies for their timely assistance, continued trust and confidence reposed by them on POWERGRID.

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

For and on behalf of the Board of Directors

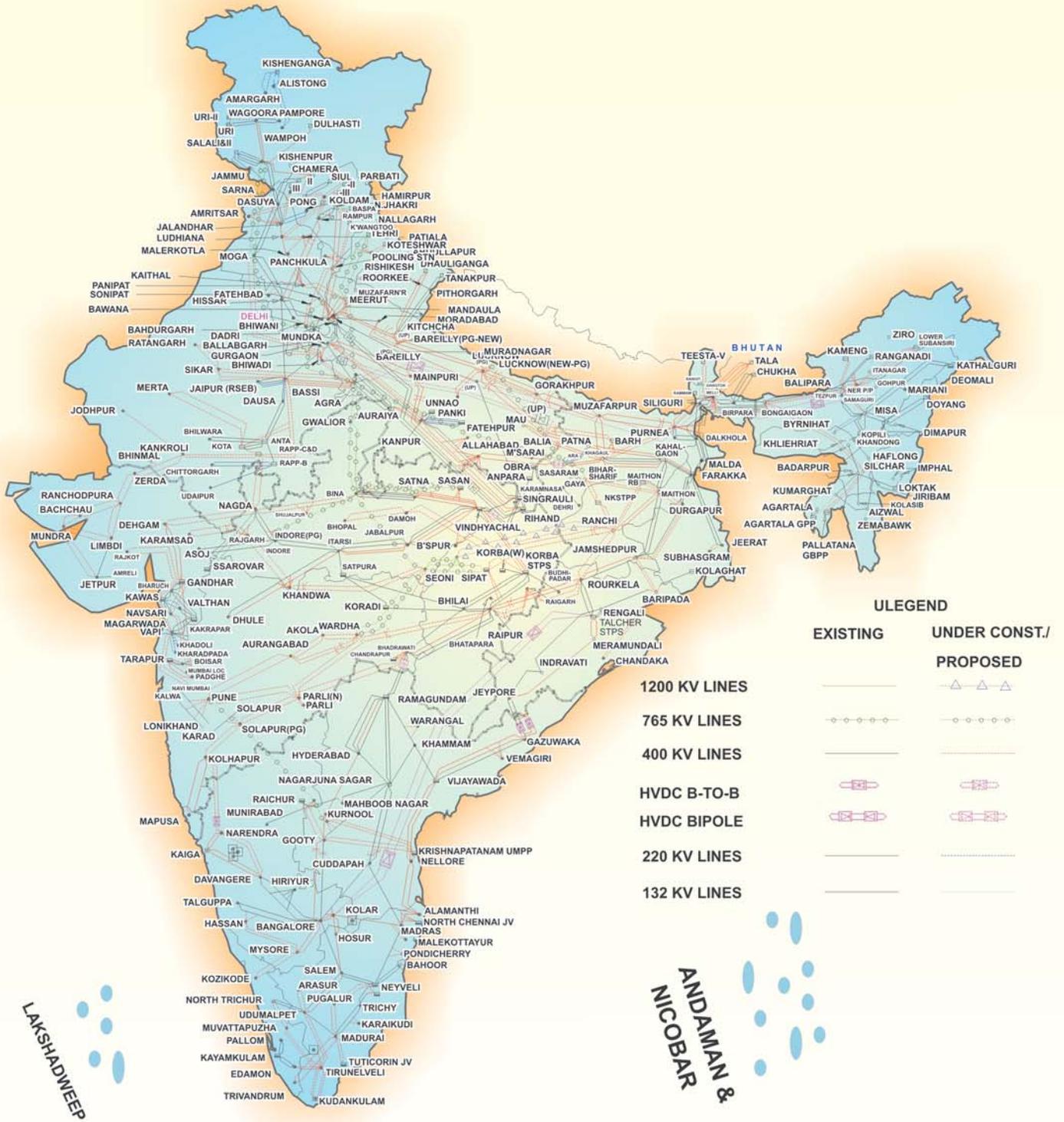
Place : New Delhi
Date: 14.08.2007


(Dr. R. P. SINGH)
Chairman & Managing Director



POWER MAP OF INDIA

POWERGRID LINES BY 2011-12



Not as per scale

POWERGRID

BROADBAND TELECOM NETWORK



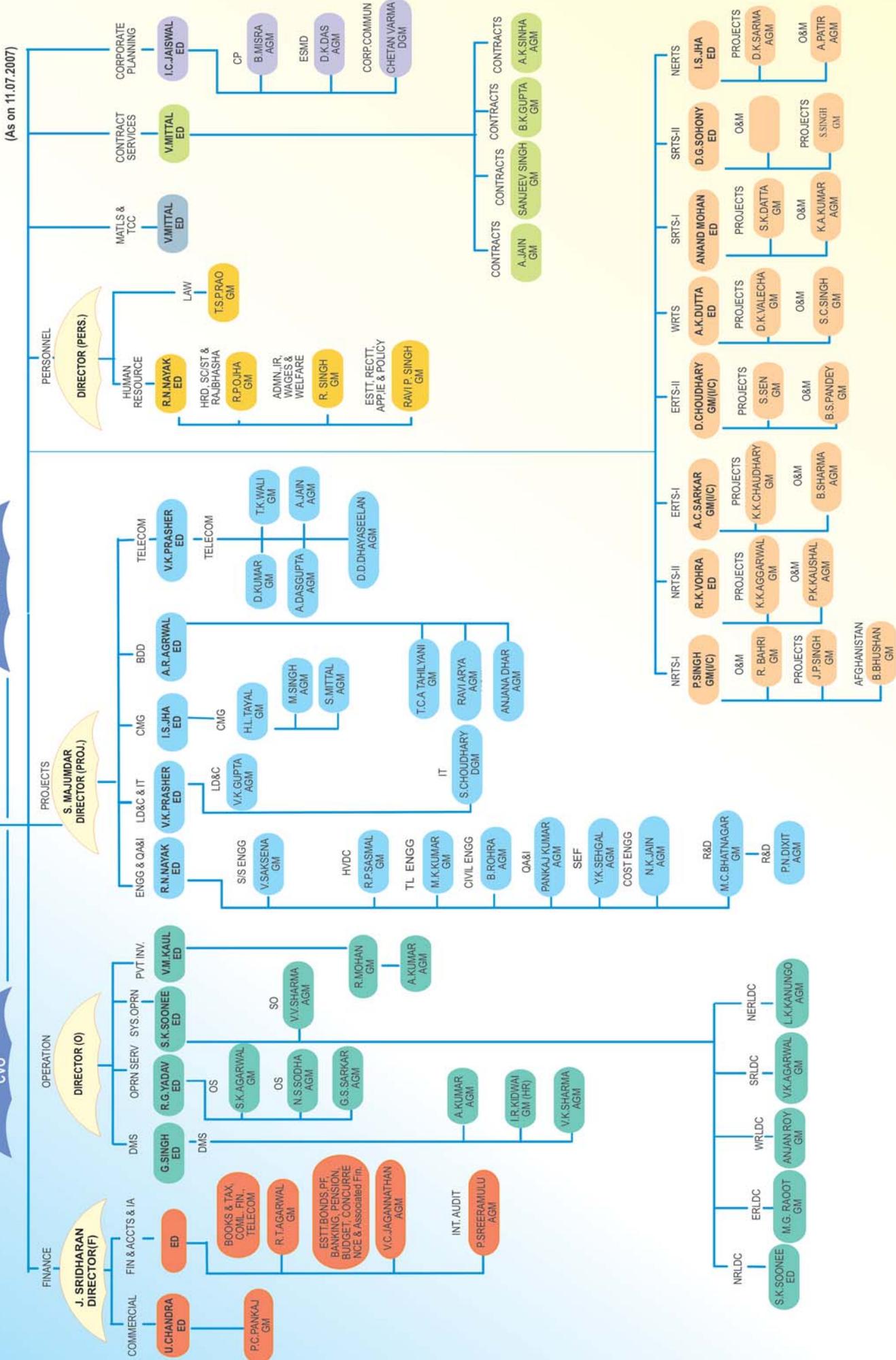
Not as per scale

POWERGRID Organisation Chart

R. P. SINGH
CMD

COMPANY SECY.
DIVYA TANDON

VIGILANCE
S. NANDKEOLYAR
CVO





Accounts



FIVE YEARS' SUMMARY

OPERATING RESULTS

	(Rs. in crore)				
	2006-07	2005-06	2004-05	2003-04	2002-03
(A) EARNED FROM :					
Transmission Charges	3248.00	2905.27	2296.83	2190.61	1957.48
Sale of Power					126.45
Consultancy & other income	834.31	649.04	534.45	615.14	448.81
Total Earnings	4082.31	3554.31	2831.28	2805.75	2532.74
(B) PAID & PROVIDED FOR :					
Purchase of Power					126.43
Employees Remuneration & Benefits	338.88	256.81	227.18	235.29	190.52
Transmission Expenses	149.60	92.57	87.18	71.80	59.26
Administration Expenses	142.05	122.36	109.14	111.87	92.63
Other Expenses (Including Prior Period Adj.)	-9.15	80.17	-26.43	43.29	8.35
Deferred Revenue Expenditure	8.19	8.86	9.31	13.85	1.11
Provisions	2.74	132.77	65.58	17.98	139.60
Total Expenditure (Excluding Depreciation & Interest)	632.31	693.54	471.96	494.08	617.90
Profit before Depreciation & Interest	3450.00	2860.77	2359.32	2311.67	1914.84
Depreciation	827.58	744.33	642.26	606.42	462.59
Interest & Finance Charges	1140.42	947.45	808.69	990.96	700.41
Net Profit after Interest & Depreciation but before Tax	1482.00	1168.99	908.37	714.29	751.84
Provision for tax (MAT)	134.09	83.16	64.81	16.64	70.42
Fringe Benefit Tax	8.72	7.74			
Net Profit after MAT	1339.19	1078.09	843.56	697.65	681.42
Deferred Tax	109.82	69.16	58.04	-50.55	38.83
Profit after Deferred Tax	1229.37	1008.93	785.52	748.20	642.59
Dividend	368.82	302.68	184.00	125.00	100.00



FINANCIAL POSITION

(Rs. in crore)

	2006-07	2005-06	2004-05	2003-04	2002-03
(A) WHAT THE COMPANY OWNED:					
Gross Fixed Assets	29014.63	24888.25	21930.56	19876.23	18943.30
Less: Depreciation	7198.56	6372.01	5635.04	4992.40	4344.56
Net Fixed Assets	21816.07	18516.24	16295.52	14883.83	14598.74
Capital Work-in-Progress & Construction Stores & Advances	9440.39	6400.86	5024.79	3876.06	2592.58
Investments	1967.00	2139.41	1882.42	1851.13	739.08
Current Assets ,Loans & Advances	3509.72	2724.08	2611.27	2924.80	3112.73
TOTAL (A)	36733.18	29780.59	25814.00	23535.82	21043.13
(B) WHAT THE COMPANY OWED :					
Borrowings From:					
-Govt. of India	49.53	59.34	66.53	72.11	1659.97
-Financial Institutions	643.27	727.79	812.30	897.40	247.93
-Foreign Loans	6135.66	5707.39	5507.53	5188.75	4815.71
-Cash Credit					
-Other Loans/Bonds	12497.04	8531.61	7001.68	6108.12	4719.67
Total Loans	19325.50	15026.13	13388.04	12266.38	11443.28
Current Liabilities & Provisions	4835.16	3641.46	2574.04	2202.51	1398.19
Deferred Tax Liability	419.33	309.51	240.35	182.31	232.86
Advance against Depreciation	1201.17	822.23	610.33	395.33	209.12
TOTAL (B)	25781.16	19799.33	16812.76	15046.53	13283.45
(C) NET WORTH OF THE COMPANY REPRESENTED BY :					
(i) Equity Capital (including Deposit)	3826.22	3623.44	3204.06	3074.06	3074.06
(ii) Free Reserves and Surplus	6874.21	6105.59	5442.65	4867.49	4246.11
(iii) Less: Misc.Exp.to the extent not written off	12.86	20.73	29.69	39.00	7.75
TOTAL (C)	10687.57	9708.30	8617.02	7902.55	7312.42
(D) COMMITTED RESERVES & LIABILITIES					
(i) Capital Reserves			94.00	94.00	112.06
(ii) Grants in Aid	264.45	272.96	290.22	297.51	335.20
(iii) Development Surcharge Reserve				195.23	
TOTAL (D)	264.45	272.96	384.22	586.74	447.26
TOTAL (B+C+D)	36733.18	29780.59	25814.00	23535.82	21043.13
CAPITAL EMPLOYED (Net Fixed Assets+Net Current Assets)	18870.13	16467.12	15482.07	15028.48	15871.30
(E) RATIOS					
Net Profit to Capital Employed(%)	6.51	6.13	5.07	4.98	4.05
Net Profit to Net Worth(%)	11.50	10.39	9.12	9.47	8.79
Net Worth per Rupee of Paid-up Capital (in Rs.)	2.79	2.68	2.69	2.57	2.38
Debt/Equity Ratio	64:36	61:39	61:39	61:39	61:39
Liquidity Ratio	0.54:1	0.57:1	0.76:1	1.05:1	1.69:1

REVENUE EXPENDITURE ON SOCIAL OVERHEADS
FOR THE YEAR ENDED 31st MARCH,2007

	(Rs.in Crore)	
	For the Year Ended 31st March, 2007	For the Year Ended 31st March, 2006
Township		
a) Depreciation	6.99	6.33
b) Repair & Maintenance	4.26	3.91
c) Others	<u>5.71</u>	<u>4.85</u>
	16.96	15.09
Educational & School Facilities	2.01	1.97
Medical Facilities	23.66	27.32
Subsidised Transport	2.43	2.38
ocial & Cultural Activities	8.07	6.13
Subsidised Canteen	5.85	5.25
Total	58.98	58.14
Less: Recoveries	1.74	1.24
Net	<u>57.24</u>	<u>56.90</u>

ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

2. RESERVES AND SURPLUS

- 2.1 Grants-in-aid received from Central Government or other authorities towards capital expenditure for Projects and betterment of transmission systems are shown as grants-in-aid under "Reserves and Surplus" till the utilisation of grant. However, grants received for specific depreciable assets are shown under "Reserves and Surplus" while the assets are under construction.
- 2.2 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 life 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 (and excluding cenvat credit) incurred to bring the asset 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 affected; 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 Transmission System Assets are considered 'Ready for intended use', for the purpose of capitalisation, after test charging/successful commissioning of the systems/assets and completion of stablization period wherever technically required.
- 3.5 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.
- 3.6 Expenditure on levelling, clearing and grading of land is capitalised as part of cost of the related buildings.
- 3.7 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.
- 3.8 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.
- 3.9 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 in accordance with the relevant Accounting Standard.

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 prorata 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 and Regional Offices are allocated to various diversified activities of the company like Transmission, Telecom, Consultancy & APDRP in the ratio of the income/reimbursement of each activity respectively.
- 6.2 The common expenses thus allocated are further allocated to Incidental expenditure during construction (IEDC) and Revenue in Transmission/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 is adjusted to carrying cost of Capital Work-in-Progress/Fixed Assets in case of Capital Assets. For the transactions contracted after 01/04/2004, the same is charged to Profit & Loss Account & is considered IEDC till the commissioning of the project in terms of AS-11 (revised 2004) .

8.3 Exchange Rate Variation in respect of Current Assets is charged of to revenue.

9. INVESTMENTS

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

10. 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

Deferred Revenue Expenditure (DRE) created up to 31.03.2003 (prior to the date AS-26 became mandatory) are amortized over a period of 5 years from the year of commercial operation/earning of revenue.

12. 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 including other amendments in similar cases. Transmission income on account of additional capitalisation, if any, is accounted for on the basis of specific 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 pertaining to subsequent years, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.

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 of terms of agreements with / purchase orders from the customers.

12.5.1 Income from sole Consultancy Contracts is accounted for on technical assessment of progress of services rendered.

12.5.2 In respect of other Cost-plus-Consultancy Contracts, involving execution on behalf of the client, income is accounted for, in phased manner as under:

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

12.6 The Transmission system Incentive / Disincentive is accounted for based on the norms Notified / approved by Central Electricity Regulatory Commission 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 levellised tariff notified/to be notified by CERC.
- 13.3. Exchange Rate Variation (ERV) on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenor of lease. ERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.

14. DEPRECIATION

- 14.1.1 Depreciation is provided on Straight Line Method at the rates specified in norms notified by Central Electricity Regulatory Commission (CERC) for the purpose of recovery of tariff on pro-rata basis except for the following assets in respect of which depreciation is charged at the rates mentioned below:

a) ULDC	6%
b) Computers & Peripherals	30%
c) Mobile Phones	25%
d) Software	33.33%

- 14.1.2 Depreciation on assets of telecom and consultancy 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 assets 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 assets 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% p.a. 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 valve halls of HVDC Bi-pole, 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 compensated absence (both for Earned & Half Pay Leave), leave encashment, post retirement medical benefits & Settlement Allowance to employees are accounted for on accrual basis based on actuarial valuation at the year end.



Balance Sheet As At 31st March, 2007

	Schedule No.		As at 31st March, 2007	As at 31st March, 2006
(Rupees in crore)				
SOURCES OF FUNDS				
Shareholders' Fund				
Share Capital	01		3826.22	3623.44
Reserves and Surplus	02		<u>7138.66</u>	<u>6378.55</u>
			10964.88	10001.99
Loan Funds				
Secured Loans	03		13053.30	10406.62
Unsecured Loans	04		<u>6272.20</u>	<u>4619.51</u>
			19325.50	15026.13
Advance Against Depreciation (Deferred Revenue)	05		1201.17	822.23
Deferred Tax liability(Net)			<u>419.33</u>	<u>309.51</u>
TOTAL			<u>31910.88</u>	<u>26159.86</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	06		29014.63	24888.25
Less: Depreciation			<u>7198.56</u>	<u>6372.01</u>
Net Block			21816.07	18516.24
Capital Work-in-Progress	07		6068.85	3635.68
Construction Stores and Advances	08		<u>3371.54</u>	<u>2765.18</u>
			31256.46	24917.10
Investments	09		1967.00	2139.41
Current Assets, Loans & Advances				
Inventories	10	184.13		180.24
Sundry Debtors	11	490.48		325.60
Cash and Bank Balances	12	1196.82		589.05
Other Current Assets	13	147.03		155.44
Loans and Advances	14	<u>1491.26</u>		<u>1473.75</u>
			3509.72	2724.08
Less: Current Liabilities & Provisions				
Current Liabilities	15	4001.79		2963.06
Provisions	16	<u>833.37</u>		<u>678.40</u>
			<u>4835.16</u>	<u>3641.46</u>
Net Current Assets			(1325.44)	(917.38)
Miscellaneous Expenditure (to the extent not written off or adjusted)	17		12.86	20.73
TOTAL			<u>31910.88</u>	<u>26159.86</u>
Contingent Liabilities	18		1950.38	2811.81
Notes on accounts	28			

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

For and on behalf of the Board

(Divya Tandon)
Company Secretary

(J.Sridharan)
Director (Finance)

(Dr. R.P.Singh)
Chairman & Managing Director

For O.P.Bagla & Co.
Chartered Accountants

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

For Nataraja Iyer & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

(P.R.Paul)
Partner

(E.S.Ranganath)
Partner

Place: New Delhi
Date: 16th May, 2007

Profit and Loss Account For the Year Ended 31st March, 2007

	Schedule No.		(Rupees in crore)	
			For the Year Ended 31st March, 2007	For the Year Ended 31st March, 2006
INCOME				
Revenue from Operations	19		3589.85	3145.34
Provision written back	20		133.43	67.93
Other Income	21		359.03	341.04
TOTAL			4082.31	3554.31
EXPENDITURE				
Employees' Remuneration & Benefits	22	338.88		256.81
Transmission, Administration and Other Expenses	23	291.78		222.36
Depreciation (Refer Note No. 15 of Schedule 28)		827.58		744.33
Provisions	24	2.74		132.77
Interest and Finance Charges	25	1140.42		947.45
Deferred Revenue Expenditure written Off		8.19		8.86
TOTAL			2609.59	2312.58
Profit for the year before tax and Prior period Adjustments			1472.72	1241.73
Less: Prior Period Expenditure/(Income) (Net)	26		(9.28)	72.74
Profit Before Tax			1482.00	1168.99
Less: Provision for Taxation			134.06	84.94
- Current Year			0.03	(1.78)
- Earlier Years			8.68	7.74
Fringe Benefit Tax			0.04	
Profit after Current Tax			1339.19	1078.09
Less: Provision for Deferred Tax				
- Current Year				
Total Deferred tax Liability		446.42		320.88
Less: Recoverable from beneficiaries		339.63		251.72
- Earlier Years			106.79	69.16
Total Deferred tax Liability		26.69		
Less: Recoverable from beneficiaries		23.66		
			3.03	
Profit after Tax			1229.37	1008.93
Add: Balance of Profit brought forward			54.63	31.90
Add: Bond Redemption Reserve Written Back			121.93	105.06
Total Amount Available for Appropriation			1405.93	1145.89
Appropriation				
Interim Dividend Paid			115.00	87.23
Corporate Dividend Tax Paid			16.13	12.23
Proposed Final Dividend			253.82	215.45
Provision for Corporate Dividend Tax			43.13	30.21
Transfer to Self Insurance Reserve			24.60	20.17
Transfer to Bonds Redemption Reserve			337.01	225.97
Transfer to General Reserve			600.00	500.00
Balance of Profit carried over to Balance Sheet			16.24	54.63
			1405.93	1145.89
Earning per Share-Basic [In Rs. per share]				
Face value of Rs.10/- each(Previous year Rs .1000/- each)			3.31	307
Earning per Share-Diluted [In Rs. per share]				
Face value of Rs.10/- each(Previous year Rs.1000/- each)			3.28	303
Incidental Expenditure During Construction	27			
Notes on Accounts	28			

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

<p>(Divya Tandon) Company Secretary</p> <p>For O.P.Bagla & Co. Chartered Accountants</p> <p>(Rakesh Kumar) Partner</p>	<p>For and on behalf of the Board</p> <p>(J.Sridharan) Director (Finance)</p> <p>As per our report of even date For B.M.Chatrath & Co. Chartered Accountants</p> <p>(P.R.Paul) Partner</p>	<p>(Dr.R.P.Singh) Chairman & Managing Director</p> <p>For Nataraja Iyer & Co. Chartered Accountants</p> <p>(E.S.Ranganath) Partner</p>
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Place: New Delhi
Date: 16th May, 2007

Schedule 01 - Share Capital

Description	(Rupees in crore)	
	As at 31st March, 2007	As at 31st March, 2006
AUTHORISED		
10,00,00,00,000 (Previous year 5,00,00,000) equity shares of Rs. 10/- each (Previous year Rs. 1000/- each)	10000.00	5000.00
ISSUED, SUBSCRIBED AND PAID-UP		
3,78,74,07,300 (Previous Year 3,58,46,286) equity shares of Rs. 10/- each (Previous year Rs. 1000/-each) fully paid up.	3787.41	3584.63
Of the above 1,77,37,17,500 of Rs. 10/- each (Previous Year 1,77,09,375 of Rs. 1000/- each) equity Shares have been allotted as fully paid up for consideration other than cash.		
Share Capital Deposit (Refer Note No. 9 of Schedule 28)	38.81	38.81
TOTAL	3826.22	3623.44

Schedule 02-Reserves and Surplus

Description	(Rupees in crore)			
	As at 31st March, 2006	Additions During the year	Deductions/ Adjustments During the year	As at 31st March, 2007
Grants in aid	272.96	13.06	21.57*	264.45
Self Insurance Reserve	107.84	24.60		132.44
General Reserve (Refer Note No. 27 of Schedule 28)	5190.37	600.00	32.67	5757.70
Bonds Redemption Reserve	752.75	337.01	121.93	967.83
	6323.92	974.67	176.17	7122.42
Balance in Profit & Loss Account	54.63			16.24
TOTAL	6378.55			7138.66

* Include Rs. 3.90 crores being the Grant in respect of State Sector ULDC adjusted against Lease Receivable in Schedule-14

Schedule 03 - Secured loans

Description	(Rupees in Crore)	
	As at 31st, March,2007	As at 31st, March, 2006
LOANS THROUGH BONDS		
BONDS VI SERIES		
13% Taxable, Secured, Redeemable, Non-cumulative Non-convertible Bonds of Rs.1000/-each redeemable at par in 10(ten) equal annual installments from 6th December, 2002 Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Gandhar Stage-I Transmission System	50.00	60.00
BONDS VII SERIES		
13.5% Taxable, Secured, Redeemable, Non-cumulative Non-convertible Bonds of Rs.1000/-each redeemable at par in 5(five) equal annual 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.	40.00	80.00



Schedule 03 - Secured loans (Cont.)

Description	(Rupees in Crore)	
	As at 31st, March, 2007	As at 31st, March, 2006
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	16.00	18.00
BONDS IX SERIES		
12.25% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs. 1,00,000/- each redeemable at par in 10(Ten) equal annual instalments w.e.f. 22nd August, 2003 Secured by way of Registered Debenture Trust Deed on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation of the assets of Transmission lines and Sub-stations of parts of NJTL system.	345.90	403.55
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	571.14	634.60
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	452.50	497.75
b) 9.20% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible bonds of Rs. 3 crores each consisting of 6 STRPPs of Rs. 50 lakh each, redeemable at par in 6 (six) equal annual instalments w.e.f 07.12.2003 Secured by way of Registered debenture trust Deed ranking pari-passu, on immovable property situated at Mouje Ambheti Taluka Kaparada in District Valsad Gujarat and mortgage & hypothecation on assets of Uri Transmission system	69.00	103.50
	521.50	601.25
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	153.75	169.13
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.	742.50	810.00

Schedule 03 - Secured loans (Cont.)

Description	(Rupees in Crore)	
	As at 31st, March, 2007	As at 31st, March, 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		
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	83.50	125.25
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		
	826.00	935.25
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.	524.25	582.50
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.		
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.	900.00	900.00
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.		
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 instalments w.e.f. 18.02.2009	750.00	750.00
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.		
BONDS XVII SERIES		
7.39% Taxable, Secured, Redeemable, Non-convertible, Non-cumulative Bonds of Rs. 1.00 Crore each consisting of 10 STRPP's of Rs. 10.00 lakh each redeemable at par in 10 (ten) equal annual instalments w.e.f 22.09.2009	1000.00	1000.00
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 assests of the company		
BONDS XVIII SERIES		
8.15% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 1.50 crore each consisting of 12 STRPP's of Rs. 12.50 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 09.03.2010.	999.00	*



Schedule 03 - Secured loans (Cont.)

Description	(Rupees in Crore)	
	As at 31st, March, 2007	As at 31st, March, 2006
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. *Opening balance of Bonds XVIII is included under Unsecured Loans.		
BONDS XIX SERIES		
9.25% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 1.50 crore each consisting of 12 STRPP's of Rs. 12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 24.07.2010	495.00	
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.		
BONDS XX SERIES		
8.93% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs. 1.50 crore each consisting of 12 STRPP's of Rs. 12.50 lakh each redeemable at par in 12(twelve) equal annual installments w.e.f 07.09.2010	1500.00	
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.		
	8692.54	6134.28
Term Loans from Banks / Financial Institutions		
Secured by a floating charge on the fixed assets of the Company		
Indian Overseas Bank	60.00	70.00
Corporation Bank	65.00	75.00
Punjab National Bank-Loan-I	120.00	140.00
Punjab National Bank-Loan-II	225.00	250.00
Oriental Bank of Commerce	187.50	208.33
Life Insurance Corporation of India	588.27	662.46
	1245.77	1405.79
ICICI Bank Ltd.	90.00	105.00
Secured by first pari passu charge over the assets of the Company		
Life Insurance Corporation of India		0.33
Secured by equitable mortgage of immovable properties of Kathalguri Transmission System		
Bank of India, Cayman Island	369.35	402.18
Secured by a Floating charge on the immovable properties of the company		
Loan from International Bank for Reconstruction and Development (Guaranteed by Govt. of India)		
PSDP I	556.04	608.50
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		
PSDP-II	1894.57	1750.54
Secured by pari passu interest in the liens created on the assets as security for the debts and further guaranteed by Government of India		
PSDP-III	205.03	
Secured by pari passu interest in the liens created on the assets as security for the debts and further guaranteed by Government of India		
	2655.64	2359.04
	4360.76	4272.34
Total Secured Loans	13053.30	10406.62
Due for repayment/redemption within one year	836.20	740.51



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Schedule 04 - Unsecured Loans

Description	(Rupees in Crore)	
	As at 31st, March, 2007	As at 31st, March, 2006
LOANS THROUGH BONDS		
BONDS XVIII SERIES		
8.15% Taxable, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs.1.50 crore each consisting of 12 STRPP's of Rs.12.50 lakh each redeemable at par in 12 (twelve) equal annual installments w.e.f. 09.03.2010.	*	999.00
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 balance of Bonds XVIII issue are included under Secured Loans.		
BONDS XXI SERIES	510.00	
8.73% Taxable, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs.1.50 crore each consisting of 12 STRPP's of Rs.12.50 lakh each redeemable at par in 12 (Twelve) equal annual installments w.e.f. 11.10.2010		
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.		
BONDS XXII SERIES	690.00	
8.68% Taxable, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs.1.50 crore each consisting of 12 STRPP's of Rs.12.50 lakh each redeemable at par in 12 (twelve) equal annual installments w.e.f. 07.12.2010.		
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.		
BONDS XXIII SERIES	307.50	
9.25% Taxable, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs.1.50 crore each consisting of 12 STRPP's of Rs.12.50 lakh each redeemable at par in 12 (twelve) equal annual installments w.e.f. 09.02.2011		
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.		
BONDS XXIV SERIES	799.50	
9.95% Taxable, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs.1.50 crore each consisting of 12 STRPP's of Rs.12.50 lakh each redeemable at par in 12 (twelve) equal annual installments w.e.f. 26.03.2011		
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.		
Loans in Indian Currency	2307.00	999.00
Short Term Loans from Banks	750.00	550.00
Term Loans		
Power Finance Corporation Limited	55.00	65.00
Government of India	49.53	59.34
	<u>104.53</u>	<u>124.34</u>
	854.53	674.34
Loans in Foreign Currency		
From Overseas Branches of Indian Banks		
State Bank of India, London	16.80	45.87
Bank of Baroda, London		30.73
	<u>16.80</u>	<u>76.60</u>
From Foreign Banks & Financial Institutions		
Loans Guaranteed by Govt of India		
a. Natexis Banque (Credit National), France	130.62	127.92
b. Credit Agricole Indosuez (Banque Indosuez)	7.23	20.25
c. Asian Development Bank (1405 - IND) *	680.40	752.12
d. Overseas Economic Corporation Fund (JBIC)	135.64	142.98
e. European Investment Bank	107.34	112.50
f. Asian Development Bank (1764-IND) *	969.75	788.40
g. Asian Development Bank (2152-IND) *	237.25	
*(To be Secured by creating charge on the assets of the Company to rank pari passu with the other secured lenders)	<u>2268.23</u>	<u>1944.17</u>
Others		
Kreditanstalt Fur Wiederaufbau, Germany	646.59	715.95
Scandiviska Enskilda Banken AP(PUBL)	166.20	169.18
	<u>812.79</u>	<u>885.13</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	12.85	40.27
	<u>3093.87</u>	<u>2869.57</u>
	3110.67	2946.17
Total Unsecured Loans	6272.20	4619.51
Due for repayment/redemption within one year	1063.86	942.31



Schedule 05-Advance Against Depreciation (Deferred Revenue)

(Rupees in crore)

Description	As at 31st March, 2006	Additions During the Year	Reversals/ Adjustments during the year	As at 31st March, 2007
Advance Against Depreciation (Refer Note No.14(g) of Schedule 28)	822.23	380.43	1.49	1201.17
TOTAL	822.23	380.43	1.49	1201.17
Previous Year	610.33	213.36	1.46	822.23

Schedule 06 - Fixed Assets

(Rupees in Crore)

Description	Gross Block				Depreciation				Net Block	
	As at 31st March, 2006	Additions during the year	Adjustments during the year	As at 31st March, 2007	Upto 31st March, 2006	Additions during the Year	Adjustments during the Year	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
Land										
a) Freehold	253.04	48.30	-0.70	302.04					302.04	253.04
b) Leasehold	39.31	6.20	0.02	45.49	2.61	0.44		3.05	42.44	36.70
c) Unclassified	0.18			0.18					0.18	0.18
Buildings										
a) Sub-Stations & Office	323.87	42.21	-0.69	366.77	74.73	9.22	-0.07	84.02	282.75	249.14
b) Township	256.52	26.43	-0.82	283.77	34.13	5.07		39.20	244.57	222.39
Temporary Erection	6.51	0.52	0.05	6.98	5.14	0.36	0.06	5.44	1.54	1.37
Roads & Bridges	71.42	4.70	-0.08	76.20	11.31	1.34		12.65	63.55	60.11
Water Supply Drainage & Sewerage	47.04	2.74	0.49	49.29	9.23	1.09	0.01	10.31	38.98	37.81
Plant & Machinery										
a) Transmission Lines	13898.96	2934.82	9.58	16824.20	3106.76	391.11	0.70	3497.17	13327.03	10792.20
b) Substation	8211.32	989.78	-43.82	9244.92	2821.30	321.39	-1.64	3144.33	6100.59	5390.02
c) ULDC	699.83	1.43	0.89	700.37	112.19	32.16	5.39	138.96	561.41	587.64
d) Telecom links	834.39	12.09	7.30	839.18	82.45	52.71	-0.07	135.23	703.95	751.94
Constrn.and Workshop equipment	2731	4.19	-1.53	33.03	8.17	1.03	-0.16	9.36	23.67	19.14
Electrical Installation	44.39	3.68	-0.16	48.23	14.79	2.61		17.40	30.83	29.60
Vehicles	3.01	0.12	0.30	2.83	2.12	0.20	0.26	2.06	0.77	0.89
Furniture Fixtures & Office equipment	81.20	7.91	0.38	88.73	30.24	4.18	0.32	34.10	54.63	50.96
EDP/WP Machines	45.68	4.47	2.75	47.40	32.35	5.55	2.77	35.13	12.27	13.33
Miscellaneous Assets/Equipments	39.24	9.13	-0.11	48.48	21.40	3.78	0.02	25.16	23.32	17.84
Capital Exp. on Assets not owned by the Company	9.03	0.64	-0.87	10.54	6.53	1.79	-0.11	8.43	2.11	2.50
Grand Total	24892.25	4099.36	-27.02	29018.63	6375.45	834.03	7.48	7202.00	21816.63	18516.80
Less : Provisions for assets discarded				4.00				3.44	0.56	
				29014.63				7198.56	21816.07	
Previous Year	21932.17	3077.88	117.80	24892.25	5636.49	750.27	11.31	6375.45	18516.80	
Less: Provisions for assets discarded				4.00				3.44	0.56	
				24888.25				6372.01	18516.24	
					31.03.2007	31.03.2006				
Depreciation for the year						834.03	750.27			
Less: Transferred to Incidental Expenditure During Construction (Schedule 27 C)						6.45	5.94			
Charged to Profit & Loss Account						827.58	744.33			

Schedule 07 - Capital Work In Progress

Description	(Rupees in crore)				
	Balance As at 31.03.2006	Additions during the year	Adjustments	Capitalised during the year	Balance As at 31.03.2007
Land					
Development of land	12.32	19.55	6.18	5.35	20.34
Buildings					
a) Sub-Stations & Office	32.54	41.27	4.61	40.64	28.56
b) Township	30.00	20.29	1.55	25.25	23.49
Temporary erection	0.48	0.23	0.02	0.13	0.56
Roads & Bridges	5.92	9.21	0.01	4.14	10.98
Water Supply Drainage and Sewerage	3.38	2.74	0.14	2.63	3.35
Plant & Machinery (including associated civil works)					
a) Transmission Lines	2776.55	5128.96	-72.22	2931.75	5045.98
b) Sub-Station	623.48	1068.72	-33.69	985.36	740.53
c) ULDC	2.63	2.33	0.01	1.98	2.97
d) Telecom links	24.95	18.82	-2.22	10.18	35.81
Furniture, Fixtures & Other office equipment	0.01	0.10	0.01	0.02	0.08
Electrical installations	3.04	5.14	-0.01	3.05	5.14
Survey, Investigation, Consultancy & Supervision Charges	43.27	13.05	1.15	1.55	53.62
Difference in Exchange on foreign Loans	1.81	32.22	36.91		-2.88
Capital expenditure on assets not owned by Company	1.46	1.75		0.53	2.68
Incidental Expenditure during Construction	73.94	497.02	473.32		97.64
TOTAL	3635.78	6861.40	415.77	4012.56	6068.85
Previous Year	3561.62	3461.03	423.87	2963.00	3635.78
Less: Provisions for assets discarded					0.10
					3635.68

Schedule 08-Construction Stores and Advances

Description	(Rupees in crore)	
	As at 31st March, 2007	As at 31st March, 2006
Construction Stores {Including Material in transit/pending issue to contractors and with contractors of Rs.2691.47 crores (Previous Year Rs 2189.06 crores)}		
Towers	610.31	825.14
Conductors	895.28	749.35
Other Line Materials	271.18	219.35
Sub-Station Equipments	823.34	383.58
HVDC Equipments	70.99	3.43
ULDC Materials	13.97	17.80
Telecom Materials	1.87	9.85
Steel	0.75	0.62
Cement	0.01	0.02
Others	24.64	29.09
	2712.34	2238.23
Less: Provision for Shortages and obsolete material	3.93	5.31
	2708.41	2232.92
Advances for Capital Expenditure		
Secured		
Considered Good	1.56	1.94
Unsecured		
Considered Good		
a. Against Bank guarantees	625.38	465.47
b. Others	36.19	64.85
Considered Doubtful	1.91	1.95
	663.48	532.27
Less: Provision for Bad & Doubtful Advances	1.91	1.95
	661.57	530.32
	663.13	532.26
	3371.54	2765.18



Schedule 09 - Investments

(Rupees in Crore)

Description	As at 31st, March, 2007	As at 31st, March, 2006
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	162.47	180.52
Arunachal Pradesh	4.70	5.22
Assam	151.02	167.80
Bihar	145.93	162.14
Gujarat	63.03	70.04
Haryana	72.45	80.50
Himachal Pradesh	2.55	2.83
Jammu & Kashmir	145.78	161.98
Karnataka	21.38	23.76
Less: bonds payable to NLC	<u>1.26</u>	<u>1.33</u>
	20.12	22.43
Kerala	21.70	24.11
Madhya Pradesh	93.65	104.06
Maharashtra	12.12	13.47
Manipur	28.53	31.70
Meghalaya	0.39	0.43
Mizoram	0.02	0.02
Nagaland	12.54	13.93
Punjab	42.25	46.94
Rajasthan	19.62	21.80
Sikkim	10.14	11.27
Tamil Nadu	31.53	35.03
Tripura	0.82	0.91
Uttar Pradesh	415.31	461.46
Uttaranchal	46.14	51.27
West Bengal	72.44	80.49
Jharkhand	<u>100.36</u>	<u>111.51</u>
	1675.61	1861.86
b) Other Bonds:-		
7 years 12.25% PSEB Bonds, Ist Tranche, Interest payable Annually, bonds of Rs. 5 lakh each	0.00	2.10
7 years 12.25% PSEB Bonds, IInd Tranche, Interest payable Annually, Bonds of Rs 5 lakh each	0.00	7.65
15 years 8.5% J&K Govt. Bonds 2017, Interest payable semi-annually, redeemable w.e.f 30.11.2007	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 :-	49.95	59.70
Quoted		
120,00,006 (Previous year 120,00,006) Shares of Rs.10/- each of PTC India Ltd. {Market Value Rs 71.46 crore @ 59.55(NSE) per share (Previous year Rs. 70.92 Crores @ 59.10(NSE) per share)}	12.00	12.00

Schedule 09-Investments (Cont.)

Description	(Rupees in Crore)	
	As at 31st March, 2007	As at 31st March, 2006
Unquoted		
Subsidiary Company (Refer Note No.33(B) of Schedule 28)		
50,000 (Previous Year 50,000) shares of Rs10/- each in Parbati Koldam Transmission Company Ltd.	0.05	0.05
50,000 Equity shares of Rs 10/- each in Byrnihat Transmission Co Ltd.	0.05	
Joint Venture Companies (Refer Note No.35 of Schedule 28)		
13,000 Equity Shares of Rs. 10/- each in Torrent Power Grid Ltd. (Formerly Torrent Power Transmission Pvt.Ltd.)	0.01	
13,000 Equity Shares of Rs.10/- each in Jaypee Powergrid Ltd.	0.01	
Others		
229320000 (Previous year 205800000) shares of Rs 10/- each of Powerlinks Transmission Ltd	229.32	205.80
	<u>229.44</u>	<u>205.85</u>
	241.44	217.85
TOTAL (A)	1967.00	2139.41
B. Non-trade investments (Unquoted)		
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Itarsi (Rs.5000/-)		
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Nagpur (Rs.5000/-)		
500 Fully paid up shares of Rs 10/- each in Employees Co-op Society Limited Jabalpur (Rs. 5000/-)		
TOTAL (B)	<u>0.00</u>	<u>0.00</u>
GRAND TOTAL (A+B)	1967.00	2139.41

NOTE : 22,93,19,997 shares (Previous year 20,57,99,997) of Powerlinks Transmission Ltd. held by the Company have been pledged as continuous security with financial institutions against financial assistance obtained by Powerlinks Transmission Ltd.

Schedule 10 - Inventories

Description	(Rupees in Crore)	
	As at 31st March, 2007	As at 31st March, 2006
(As taken, valued and certified by the Management)		
Components, Spares & other spare parts		
i) Transmission Inventory		
Towers	53.09	46.87
Conductors	15.41	13.36
Other Line Materials	32.73	29.50
ii) Sub-Station Equipments/Spares	47.91	48.62
iii) HVDC Equipments/spares	22.92	27.55
iv) ULDC Spares		
v) Telecom Spares	0.90	0.64
vi) Other Stores	10.35	12.78
Consumable stores	0.37	0.58
Loose tools	0.64	0.53
	<u>184.32</u>	<u>180.43</u>
Less Provision for Shortages	0.19	0.19
TOTAL	184.13	180.24



Schedule 11 - Sundry Debtors

Description	(Rupees in Crore)	
	As at 31st March, 2007	As at 31st March, 2006
Debts Outstanding exceeding Six Months		
Considered Good	19.18	3.88
Considered Doubtful	79.37	79.18
	98.55	83.06
Others		
Considered Good	471.30	321.72
Considered Doubtful		0.91
	471.30	322.63
	569.85	405.69
Less: Provision for bad & doubtful debts	79.37	80.09
TOTAL	490.48	325.60

(The debtors are unsecured except to the extent of Rs 260.57 crore (Previous year Rs 251.17 crore) for which Letters of Credit held by the Company from SEBs as on 31st March, 2007)

Schedule 12 - Cash & Bank Balances

Description	(Rupees in Crore)	
	As at 31st March, 2007	As at 31st March, 2006
Cash, Stamps and Imprest	0.14	0.13
Drafts/Cheques in Hand	126.73	
Remittance in transit	40.34	0.50
Balance with scheduled banks-		
-In Current Accounts/Flexi deposit Account {Including Rs 564.60 crore (Previous year Rs 257.73 crore) lying in designated accounts meant for specific disbursal}	1003.80	311.67
-In Term Deposits	25.81	276.75
TOTAL	1196.82	589.05

Schedule 13 - Other Current Assets

Description	(Rupees in Crore)	
	As at 31st March, 2007	As at 31st March, 2006
Interest accrued on Investments (Bonds)	78.26	90.13
Interest accrued on Employee loans	61.57	59.95
Others	7.20	5.36
TOTAL	147.03	155.44

Schedule 14 - Loans & advances

Description	(Rupees in Crore)	
	As at 31st March, 2007	As at 31st March, 2006
a) Loans to		
-Employees	86.14	95.90
-Long Term Advances(Under securitisation scheme)	154.25	154.25
-Others	0.07	0.13
	240.46	250.28
b) Recoverable from Subs. of Scheduled Banks (Refer Note No.8(c) of Schedule 28)		94.00
Less:		
Transfer/Adjustment from Capital reserve		94.00
c) Lease Receivables(State sector ULDC)	822.12	900.06
d) Advances		
Advances recoverable in cash or in kind or for value to be received		
Contractors & Suppliers	6.25	11.10
(Including Material issued on loan)		
Employees	8.07	7.97
Claims recoverable	4.06	3.43
Others	66.78	83.59
	85.16	106.09
Less: Provision for bad and doubtful Advances and Claims	8.01	5.46
	77.15	100.63
Balance with Customs, Port Trust and other authorities	20.64	17.21
Advance Tax & TDS	330.89	205.57
	428.68	323.41
TOTAL	1491.26	1473.75
Particulars of Loans and Advances		
Secured	348.99	98.53
Unsecured Considered Good	1142.27	1375.22
Considered doubtful	8.01	5.46
	1499.27	1479.21
Less: Provision for Bad & Doubtful Claims	8.01	5.46
	1491.26	1473.75
Due from Directors & Officers of the company		
Directors	0.04	0.05
Officers	10.41	9.44
Directors Maximum Amount	0.06	0.09
Officers Maximum Amount	12.74	11.39



Schedule 15 - Current Liabilities

Description	(Rupees in crore)	
	As at 31st March, 2007	As at 31st March, 2006
Sundry Creditors		
For capital expenditure	1561.36	945.92
Other goods and services	138.93	98.12
	1700.29	1044.04
Advance from Customers	731.22	833.45
Deposits Retention money from contractors and others.	874.40	587.64
Less: Investments held as security	0.36	0.34
	1605.26	1420.75
Investor Education and Protection Fund :		
Un-paid (Un-claimed) matured bonds	0.11	0.02
Payable to Bond holders (Refer Note No.8(c) of Schedule 28)		15.77
Other Liabilities	226.00	160.64
Interest Accrued But Not Due On Loans From		
Government of India	1.22	3.93
Indian Banks, Financial Institutions & Corporations	42.55	47.30
Foreign Banks & Financial Institutions	75.71	63.24
Secured/Unsecured redeemable Bonds	350.65	207.36
Others		0.01
	470.13	321.84
Total	4001.79	2963.06

Schedule 16 - Provisions

Description	(Rupees in crore)	
	As at 31st March, 2007	As at 31st March, 2006
Taxation (Including interest on Tax & FBT)		
As per last balance sheet	182.84	156.49
Additions during the year	142.81	92.99
Amounts utilised/paid during the year	34.68	66.64
	290.97	182.84
Retirement Benefits (Refer Note No.27 of Schedule 28)		
As per last balance sheet	114.73	74.54
Additions during the year	79.75	40.19
	194.48	114.73
Transmission incentive& exgratia/special incentive (Refer Note No.28 of Schedule 28)		
As per last balance sheet	4.18	4.11
Additions during the year	23.75	4.18
Amounts paid during the year	4.18	4.11
	23.75	4.18
Provision for Wage revision (Refer Note No.29 of Schedule 28)		
As per last balance sheet		
Additions during the year	27.22	
Amounts utilised/paid during the year		
	27.22	

Schedule 16 - Provisions (Cont.)

	(Rupees in crore)	
	As at 31st March, 2007	As at 31st March, 2006
Proposed Final Dividend		
As per last balance sheet	215.45	96.00
Additions during the year	253.82	215.45
Amounts paid during the year	215.45	96.00
	253.82	215.45
Dividend Tax (Including tax on Interim Dividend)		
As per last balance sheet	30.21	13.46
Additions during the year	59.26	30.21
Amounts paid during the year	46.34	13.46
	43.13	30.21
Interest & Principal Liability towards bonds (Refer Note No.8 (c) & (d) of Schedule 28)		
As per last balance sheet	130.99	
Additions during the year		130.99
Amounts paid during the year	130.99	
	0.00	130.99
TOTAL	833.37	678.40

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

	(Rupees in crore)			
Description	As at 31st March, 2006	Additions/Adjustments during the year	Deductions during the year	As at 31st March, 2007
Deferred Revenue Expenditure	20.73	0.08	8.19	12.62
Share Issue Expenses (Refer Note No.30 of Schedule 28)		0.24		0.24
TOTAL	20.73	0.32	8.19	12.86
Previous Year	29.69	-0.10	8.86	20.73

Schedule 18 - Contingent Liabilities

	(Rupees in crore)	
Description	As at 31st March, 2007	As at 31st March, 2006
Claims against the Company not acknowledged as debt in respect of		
Arbitration / Court Cases	205.18	1108.86
Land / Crop/Tree Compensation cases	453.49	247.41
Others	25.54	189.54
Disputed Tax Demands-Income Tax	40.25	54.10
Disputed Tax Demands-Others	169.12	127.96
Continuity Bonds with Custom Authorities	981.54	943.54
Others	75.26	140.40
Total	1950.38	2811.81



Schedule 19 - Revenue from Operations

	(Rupees in crore)	
	For the Year Ended 31st March, 2007	For the Year Ended 31st March, 2006
Revenue from Transmission Charges (Refer Note No.14 of Schedule 28)	3626.94	3117.17
Less: Advance Against Depreciation	380.43	213.36
	<u>3246.51</u>	<u>2903.81</u>
Add: Revenue Recognised out of AAD	1.49	1.46
	<u>3248.00</u>	<u>2905.27</u>
Income from Short Term Open Access Consultancy, Project Management and Supervision Fees	38.75	39.08
Revenue from Telecom	226.00	154.99
Less: Inter divisional Transfer	78.22 <u>1.12</u>	38.44 <u>1.02</u>
	<u>77.10</u>	<u>37.42</u>
Reimbursement of RLDC Expenses		8.58
TOTAL	<u>3589.85</u>	<u>3145.34</u>

Schedule 20 - Provisions written Back

	(Rupees in crore)	
Description	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
CANFINA Matter (Refer Note No.8(d) of Schedule 28)	130.99	50.00
Doubtful debts	0.89	17.83
Obsolete construction stores	1.38	
Others	0.17	0.10
TOTAL	<u>133.43</u>	<u>67.93</u>

Schedule 21 - Other Income

	(Rupees in crore)	
Description	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
Dividend on Trade Investments	1.20	0.96
Interest From		
Govt. Securities		
8.5% Tax Free Bonds	154.31	201.93
Taxable Bonds [TDS Rs. 0.27 crore (Previous year Rs. 0.26 crore)]	5.82	5.44
Loan to State Govt. in settlement of dues from Customers	13.11	13.11
Indian Banks[TDS Rs. 6.90 crore (Previous Year Rs. 6.54 crores)]	11.38	24.55
Others [TDS Rs. 13.71 crore (Previous Year NIL)]	76.36*	7.45
	<u>260.98</u>	<u>252.48</u>
Profit on sale of fixed assets	0.05	0.01
Deferred Income (Transferred from Grants-in-aid)	17.67	17.26
Short Term Open Access-Other Charges	17.59	14.00
Transfer from Insurance Reserve on A/c of Losses of Fixed Assets		0.87
Lease Income-State Sector ULDC	56.08	38.90
Surcharge	5.16	19.55
Hire charges for equipments	0.53	0.22
Miscellaneous income	13.96	13.29
	<u>373.22</u>	<u>357.54</u>
Less:Income transferred to incidental expenditure during construction-Sch 27(E)	14.19	16.50
TOTAL	<u>359.03</u>	<u>341.04</u>

*(Including Rs. 61.09 crore for CANFINA matter-Refer note no. 8 (d) of Schedule 28)

Schedule 22 - Employees' Remuneration and Benefits

Description	(Rupees in crore)	
	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
Salaries, wages, allowances & benefits	371.77	269.78
Contribution to provident and other funds	36.52	35.85
Welfare expenses	59.92	53.28
	468.21	358.91
Less: Transferred to Incidental Expenditure during Construction-Schedule 27(A)	125.38	98.33
	342.83	260.58
Less: Recoverable from MOP on account of APDRP	3.95	3.77
TOTAL	338.88	256.81

Schedule 23 - Transmission, Administration and other Expenses

Description	(Rupees in crore)	
	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
Repair & Maintenance		
Buildings	11.22	9.93
Plant & Machinery		
Sub Station	83.86	29.07
Transmission lines	15.25	10.96
Construction equipment	0.01	0.01
Others	13.13	9.66
	112.25	49.70
Power charges	35.02	39.96
Less: Recovery from contractors	0.17	0.36
	34.85	39.60
Stores & spares consumed	0.01	0.01
Water charges	0.52	0.28
Right of Way charges(Telecom)	0.46	0.17
	159.31	99.69
Training & Recruitment expenses	6.74	5.78
Less: Fees for training and application	0.55	0.30
	6.19	5.48
Legal expenses	4.86	4.12
Professional charges(Including TA/DA)	1.88	1.96
Consultancy expenses(Including TA/DA)	1.45	0.98
Communication expenses	7.87	8.14
Travelling & Conveyance Expenses	44.60	36.78
Foreign travel	4.04	4.31
	48.64	41.09
Tender expenses	2.18	2.00
Less: Sale of tenders	0.90	1.31
	1.28	0.69
Remuneration to auditors		
Audit Fees	0.10	0.19
Tax Audit Fees	0.03	0.04
In Other Capacity	0.16	0.07
Out of pocket Expenses	0.43	0.27
	0.72	0.57
Advertisement and publicity	5.90	4.71
Printing and stationery	3.90	3.60
EDP hire and other charges	1.54	1.34



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

Description	(Rupees in crore)	
	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
Entertainment expenses	1.29	1.00
Brokerage & Commission	0.05	0.10
Donations	0.16	
Research & Development expenses	1.32	0.99
Cost Audit Fees	0.03	0.03
Rent	4.15	5.67
Miscellaneous expenses	19.68	14.66
Security Expenses	23.80	19.32
Hiring of Vehicle	29.82	24.33
Insurance	16.30	13.45
Rates and taxes	16.74	13.42
Bad debts written off	0.93	0.02
Non operating expenses	0.15	0.84
Transit Accomodation Expenses	1.61	1.16
Less : Recovery for usage	0.15	0.13
	<u>1.46</u>	<u>1.03</u>
	200.11	167.54
	359.42	267.23
Less:Transferred to Incidental Expenditure during Construction-Sch. 27(B)	66.80	50.55
	292.62	216.68
Less: Recoverable from MOP on account of APDRP	0.97	1.75
	291.65	214.93
Surcharge written off		7.31
Loss on Disposal/Write off of Fixed Assets	0.13	0.12
TOTAL	291.78	222.36
Stores & spares consumption included in repair and maintenance	16.94	11.72

Schedule 24 - Provisions

Description	(Rupees in crore)	
	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
Doubtful debts - loans and advances	1.92	0.45
Doubtful Insurance Claims	0.82	0.83
Interest and Principal liability of Bonds (Refer Note No.8 (c) of Schedule 28)		130.99
Others		0.50
TOTAL	2.74	132.77

Schedule 25 - Interest and Finance Charges

Description	(Rupees in crore)	
	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
Interest on Loan from		
Government of India	8.28	9.38
Indian Banks, Financial Institutions & Corporations	224.85	196.46
Foreign Banks and Financial Institutions	279.91	212.47
Secured/Unsecured redeemable Bonds (Including Rs. 138.95 crore for CANFINA matter-Refer note no. 8 (d) of Schedule-28)	864.11	502.13
Others		0.31
	1377.15	920.75
Add/Less: ERV as adjustment to borrowing cost	(62.35)	11.92
	1314.80	932.67
Finance Charges		
Rebate to Customers	60.62	49.85
Incentive to SEBs under Securitisation		85.10
Commitment charges	7.47	5.30
Foreign Exchange Rate Variation	0.05	0.11
Guarantee fee	53.07	47.35
Other finance charges (Including Rs. 9.20 crore for CANFINA matter-Refer note no. 8 (d) of Schedule-28)	17.70	2.76
	138.91	190.47
	1453.71	1123.14
Less: Transferred to Incidental Expenditure during Construction-Schedule 27 (D)	313.29	175.69
TOTAL	1140.42	947.45

Schedule 26 - Prior Period Adjustment (Net)

Description	(Rupees in crore)	
	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
Income		
Depreciation written back	7.43	0.38
Transmission charges	10.35	5.79
Revenue from Telecom	0.17	
Decrease in depreciation cost due to AS11/AS16		6.56
Others	1.55	2.63
	19.50	15.36
Expenditure		
Power charges	0.16	0.60
Rates and taxes	0.06	0.13
Depreciation	2.56	1.09
Transmission charges written back on account of revision of tariff	3.80	25.33
Telecom Revenue written back	0.13	
Interest		12.16
ERV as adjustment to borrowing cost		46.48
Others	2.80	1.93
	9.51	87.72
Prior period expenditure/(income) (Net)	-9.99	72.36
Less: Transferred to Incidental Expenditure during Construction -Schedule 27	-0.71	-0.38
	-9.28	72.74



Schedule 27 - Incidental Expenditure During Construction

Description	(Rupees in crore)	
	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
A. Employees Remuneration & Benefits		
Salaries, wages, allowances and benefits	97.89	73.73
Contribution to provident and other funds	10.16	9.70
Welfare expenses	17.33	14.90
Total(A)	125.38	98.33
B. Other Expenses		
Repairs and Maintenance		
Buildings	3.02	2.10
Construction equipment	0.08	
Others	1.96	1.73
	5.06	3.83
Power charges	4.72	3.25
Less: Recovered from contractors	0.13	
	4.59	3.25
Water charges	0.06	0.04
Training & recruitment Expenses	4.15	3.31
Legal expenses	2.27	1.91
Professional charges	0.90	0.82
Consultancy expenses	0.45	0.33
Communication expenses	2.88	2.77
Travelling & Conv.exp. (Including Foreign Travel)	17.99	14.39
Tender expenses	1.75	1.34
Less: Income from sale of tenders	0.67	0.88
	1.08	0.46
Payment to Auditors	0.45	0.35
Advertisement and Publicity	3.12	1.73
Printing and stationery	1.77	1.51
EDP hire and other charges	0.57	0.51
Entertainment expenses	0.54	0.41
Brokerage and commission	0.01	0.02
Rent	1.30	1.28
Miscellaneous expenses	7.00	4.22
Security Expenses	3.15	2.43
Hiring of Vehicles	8.36	5.94
Insurance	0.11	0.06
Rates and taxes	0.49	0.25
Transit Accomodation Expenses	0.04	0.36
Less: Income from guest house	0.04	0.03
	0.45	0.33
Non Operation Expenses	0.05	0.40
	66.80	50.55
Total (B)	66.80	50.55
Prior Period adjustment (net)	-0.71	-0.38
Total (including prior period)	66.09	50.17
(Includes amount transferred to DRE)		
C. Depreciation	6.45	5.94

Schedule 27 - Incidental Expenditure During Construction (Cont.)

Description	(Rupees in crore)	
	For The Year Ended 31st March, 2007	For The Year Ended 31st March, 2006
D. Interest and Finance Charges		
Interest on Loans from		
Government of India	-	-
Indian Banks, Financial Institutions and Corporations	14.35	16.39
Foreign Banks and Financial Institutions	45.93	30.34
Secured/Unsecured Redeemable Bonds	248.44	106.94
Add/Less: ERV as adjustment to borrowing cost	-22.34	7.34
	286.38	161.01
Finance Charges		
Commitment charges	7.25	4.94
Guarantee fee	9.82	9.36
Other Finance Charges	9.84	0.38
	26.91	14.68
Total (D)	313.29	175.69
E. Less: Other Income		
Interest from		
Indian banks	4.80	12.53
Others	7.34	2.91
Sub-Total	12.14	15.44
Miscellaneous income	1.98	1.05
Hire charges	0.07	0.01
Total (E)	14.19	16.50
GRAND TOTAL (A+B+C+D-E)	497.02	313.63



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 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) Freehold land includes Rs. 31.91 crore { previous year Rs. 44.10 crore (including Rs. 12.19 crore for Gurgaon Office complex for which Conveyance Deed has been executed during the current year)} for land acquired for Residential Complex at Gurgaon for which Conveyance Deed in favour of the Company is yet to be executed.
 - d) Leasehold land includes Rs. 7.64 crore (previous year Rs.7.64 crore) 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.
 - e) 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.
 - f) Freehold land includes Rs. 6.62 crore (previous year Rs. 6.62 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. However, during the year, in view of directions of Ministry of Power, the company has granted in-principle approval to transfer the aforesaid switchyard (alongwith freehold land mentioned above) to NTPC. Pending necessary approval & Memorandum of Understanding, advance of Rs. 80 crore received during the year has been kept in 'Deposits, Retention money from Contractors & others' under 'Current Liabilities'.
4. Pending reconciliation, materials amounting to Rs. 27.66 crore (previous year Rs. 17.58 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 (limited to domestic borrowing cost) amounting to Rs. 40.01 crore (net of Rs. 22.34 crore gain for the construction period) {previous year loss of Rs. 4.58 crore (net of Rs. 7.34 crore loss for the construction period)} towards loan liabilities attributable to fixed assets not acquired from outside India.
 - ii) An amount of Rs. 32.22 crore (previous year Rs. 61.17 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. 0.05 crore (previous year Rs. 0.11 crore) being the exchange rate variation loss on Current Assets. Other Income for the year includes an amount of Rs. Nil (previous year Rs. 0.04 crore) being the exchange rate variation gain on current assets.
7.
 - a)
 - i) Balances in Loans & Advances and Material with Contractors are confirmed/reconciled except in some cases.
 - ii) Balances in Sundry Creditors and Advances from Customers are subject to confirmation from the parties.
 - iii) Balances in Sundry Debtors are confirmed / reconciled except in some cases.
 - b) In the opinion of the management, the value of Current Assets, Loans and Advances, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
8.
 - a) During the year 1991-92, pursuant to a contract with CANBANK FINANCIAL SERVICES LTD. (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 wrote-back 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 (equivalent to amount realised from deposits) the company repaid Rs. 1.03 crore to third parties duly recognized 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) During the year 2005-06, in the matter of Canbank Mutual Fund(CBMF), one of the purported transferee of bonds worth of Rs. 48.00 crore by CANFINA, Hon'ble Delhi High Court had issued a verdict in favour of CBMF pursuant to which an

aggregate amount of Rs.130.99 crore (including Rs. 97.79 crore towards interest) was provided after adjusting Rs.14.80 crore, amount of bonds not forfeited.

In view of above, Bonds worth Rs. 15.77 crore which were set off against deposits with CANFINA in the year 1998-99, were shown as liability, by restoring deposit with CANFINA to Rs. 94.00 crore. The capital reserve of Rs. 94.00 crore has been adjusted against / reduced from the aforesaid deposit.

- d) During the year the company has entered into "Settlement Agreement" with CANFINA, Canara Bank and Canbank Mutual Fund (CBMF), pursuant to which a payment of Rs. 226.95 crore (Rs. 75.78 crore to Canara Bank & Rs. 151.17 crore to CBMF) was made and an amount of Rs. 124.12 crore was received from CANFINA (net of inter-se adjustment of amount payable). Under this settlement all liabilities pertaining to unpaid principal and interest in respect of aforesaid bonds since the year 1991-92 (hitherto being considered as 'Provision & Contingent Liabilities') stands settled. In view of the full and final settlement with the beneficiaries, provision of Rs. 130.99 crore, made in the previous year, has been written back during the year. Further, the aforesaid Agreement has resulted in payment of interest and finance charges of Rs.148.15 crore and receipt of interest of Rs. 61.09 crore.
- e) The Hon'ble Supreme Court of India vide Order dated 27th April, 2007 has recorded the terms of settlement among the parties and a decree in terms thereof has been passed.
9. Share Capital Deposit of Rs. 38.81 crore (previous year Rs. 38.81 crore) representing amount payable to Government of India as purchase consideration for ex-NHPC lines, has been adjusted by allotment of shares subsequent to the date of Balance Sheet.
10. Cash & Bank Balances include Rs. 23.47 crore (previous year Rs.18.59 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. 6677.30 crore (previous year Rs. 6025.79 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. 209.37 crore (previous year Rs. 182.06 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 and for the block period April, 2004 to March, 2009, have been followed by the company for recognition of income. Since the subject matter of the appeal is to restore certain components of tariff at par with the erstwhile GOI norms, which were more favourable than CERC norms, the impact of the appeal shall not result in any reduction in revenue.
- b) During the year final tariff orders for some of the transmission lines/systems have been issued by CERC and accordingly the transmission income has been recalculated and necessary adjustment has been carried out. However, the final tariff orders of certain transmission lines/systems are still awaited.
- c) Transmission income from NER constituents and other customers in NER has been accounted at Rs. 228.98 crore (previous year Rs.192.24 crore) @ 33.465764 paise per unit (Company's share of income in Unified Common Pool Transmission Tariff (UCPTT) of 35 paise per unit) as frozen by CERC. The above includes arrears of Rs. 23.49 crore towards Company's share in revision of UCPTT rate from 31.61618 paise per unit to 33.853696 paise per unit from April to May, 2004, 33.690816 paise per unit from June to December, 2004 and 33.465764 paise per unit thereafter as per CERC order dated 27.12.2006.
- d) Govt. of India vide order dated 16th February, 2005 had directed the company to approach CERC for fixation of tariff after restoration of depleted equity of Rs. 646 crore. CERC vide Order dated 11th May, 2005 has rejected the company's petition in the aforesaid matter, against which an Appeal was filed with the Hon'ble Appellate Tribunal for Electricity. The order of the CERC has been set aside by the Hon'ble Tribunal vide its order dated 16th May 2006, and has remitted the matter to CERC for re-determination of tariff for the period commencing from 01st April 2004. Some of the beneficiaries have appealed against the aforesaid order before Hon'ble Supreme Court of India. In view of uncertainties involved, increase in transmission charges has not been considered during the year.
- e) Pending decision of CERC, on the issue of delay in commercial operation, the tariff, pertaining to amount notionally capitalised for the delayed/suspended period, has not been recognised as income. The same shall be accounted for on finalisation of matter by CERC.
- f) On the issue of deployment of FERV, the Hon'ble Appellate Tribunal for Electricity has issued Order dated 04th October, 2006 and 22nd December, 2006 in favour of the Appellant beneficiaries. The company has filed an appeal before the Hon'ble Supreme Court of India in the matter of one of the beneficiaries. Pending settlement/decision of the Court in the matter, a sum of Rs. 22.94 crore has been considered as contingent liability.



- g) As per the "Tariff Policy" issued on 6th January, 2006, Central Electricity Regulatory Commission (CERC) shall specify the terms and conditions for the determination of tariff in accordance with the aforesaid "Tariff Policy". The Policy includes following major items :
- The Return on Investment would be notified by CERC based on either Return on Equity approach or Return on Capital approach whichever is considered better in the interest of consumers.
 - The rates of depreciation notified by CERC would be applicable for the purpose of tariff as well as accounting. There would be no need for any Advance Against Depreciation.
 - Foreign Exchange Rate Variation will not be pass through. Appropriate cost of hedging and swapping for management of FERV will be allowed.

Pending further notification by CERC in respect of aforesaid components, tariff is continued to be recognized as income as per the existing norms.

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 has been referred by CAG to Ministry of Power and the same is pending for disposal with Ministry of Power, Govt. of India. However, MOP has issued tariff policy which provides that rates of depreciation notified by CERC would be applicable for the purpose of tariffs as well as accounting. Pending formalization of norms by CERC in accordance with the Tariff Policy, the rates notified under present Tariff Norms 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. 498.01 crore (previous year Rs. 465.24 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. a) Pending finalisation of JV Agreement, a sum of Rs. 3.22 crore (previous year Rs.2.97 crore) incurred towards Koldam Transmission Project is shown as recoverable from the proposed joint venture company of the project.
- b) A part of the transmission system under Western Region System Strengthening Scheme II is to be executed through Independent Power Transmission Company (IPTC) route, as per directions of CERC, for which bids for participation have been invited. Pending selection of IPTC entity, expenditure of Rs. 4.20 crore (previous year 4.13 crore) incurred for that part of the transmission system has been kept under CWIP.
17. Other Income includes Rs.17.67 crore (previous year Rs.17.26 crore) being the amount transferred from Grants- in- Aid (included under "Reserves & Surplus") as per Accounting Policy No. 2.1.
18. In respect of Bond Series XXI to XXIV aggregating to Rs. 2307 crore, issued during the year, Trust Deed has not been executed till the finalization of the financial statements. In accordance with the past practice, the bonds though issued on secured terms, are shown as unsecured.
19. a) In accordance with AS-28, Impairment analysis of assets of transmission activity of the company by evaluation of its cash generating units, was carried out by an outside agency in the year 2004-05 and since recoverable amount was more than the carrying amount thereof, no impairment loss was recognised. In the current year, there is no indication of impairment which required to re-estimate the recoverable amount of the assets.
- b) Similarly, impairment analysis of telecom assets was carried out during the year and since the recoverable amount is more than the carrying amount of assets, no impairment loss is recognized.
20. Cash equivalent of Deemed Exports Benefits availed, in respect of supplies affected 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 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.

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. 0.46 crore (previous year Rs. 0.67 crore) has been de-capitalised. However, the liability towards interest is included under contingent liability.

21. Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets" :
- | | | |
|--|-------------------|-------------------|
| 1. Amortisation Rate | 33.33% | |
| 2. Amortisation Method | Straight Line | |
| | | Rs. in crore |
| | Year ended | Year ended |
| | 31.03.2007 | 31.03.2006 |
| 3. Gross Carrying Amount at the end of the year | 0.84 | 2.20 |
| 4. Accumulated Depreciation at the end of the year | 0.40 | 1.15 |
| 5. Carrying Amount at the beginning of the year | 1.05 | 1.90 |
| Additions during the year | - | 0.67 |
| Amortisation during the year | 0.61 | 1.52 |
| Carrying Amount at the end of the year | 0.44 | 1.05 |
22. Disclosure in respect of contingent liabilities as required in AS 29 of 'Provisions, Contingent Liabilities and Contingent Assets':
- Contingent Liabilities:
- a) Contingent Liabilities as stated in Schedule 18 are dependent upon the outcome of court/appellate authorities/ out of court settlement, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, disposal of appeals respectively.
- b) Reimbursement of outflow in respect of 'Claim against the Company not acknowledged as debt' and 'Disputed tax demands-Income Tax' (limited to Income Tax on core activity only) as stated in Schedule 18 of Contingent Liability, is dependent on the admittance of petition by CERC and in remaining cases no reimbursement is expected.
23. Information in respect of cost plus Consultancy contracts, considering the same as consultancy business in view of AS-7 on "Construction Contracts"

Rs. in crore

Particulars	Year ended 31.03.2007	Year ended 31.03.2006
i) The amount of revenue recognised on cost plus Consultancy contract work in 2006-07	211.42	130.42
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	3024.72	1539.42
iv) Cumulative Amount of advance received from customers	4137.40	2451.92
v) Amount of retention money with customers	7.11	Nil
vi) Gross amount due from customers for contract work as an asset	25.23	14.53
vii) Gross amount due to customers for contract work as a liability	636.54	657.44

24. a) The Company has been providing deferred tax liability after adjusting the amount recoverable from beneficiaries. During the year the company has provided Rs 109.82 crore (previous year Rs. 69.16 crore) as deferred tax liability.

b) The deferred tax liability of Rs.309.51 crore (net of amount recoverable) upto the year ended 31.03.2006 has been revised after considering the current year's liability of Rs. 106.79 crore and earlier years' liability of Rs. 3.03 crore. The resultant deferred tax liability as on 31.03.2007 is Rs. 419.33 crore (net of amount recoverable). Major components of deferred tax liabilities and assets are given as under:

Rs. in crore

Particulars	As at 31.03.2007	As at 31.03.2006
<u>Deferred Tax Liability</u>		
Towards Fixed Assets (Net)	432.68	327.74
	432.68	327.74
<u>Deferred Tax Asset</u>		
Transfer to Self Insurance Reserve	0.90	0.89
Income during Construction	4.80	3.61
Retirement Benefits	3.41	3.38
Provisions	4.24	10.35
	13.35	18.23
Net Deferred Tax Liability	419.33	309.51



25. Afforestation compensation for acquiring Right of Way, for erection of the transmission systems are included in the capital cost of the plant and machinery (towers) of the respective transmission system as in the earlier years. In view of observations of CAG on the accounts for the financial year 2004-05, to consider the same as expenditure incurred on assets not owned by the company in accordance with the Accounting Policy No. 14.1.4 of the company, the matter has been referred to the Expert Advisory Committee of the Institute of Chartered Accountants of India for its opinion, which is still awaited.
26. 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 (as per capital cost data submitted to / approved by CERC for tariff fixation) is as under :-

Particulars	Rs. in crore	
	Amount as at 31.03.2007	Amount as at 31.03.2006
Gross value of assets acquired & leased upto 31.03.2006	912.88	692.81
Less : Gross value of assets acquired last year is adjusted on A/c of revision of cost	-	8.92
Revised Gross value of the assets upto 31.03.2006	912.88	683.89
Less : Capital recovery provided upto 31.03.2006	117.63	72.73
Capital recovery outstanding as on 31.03.2006	795.25	611.16
Add: Gross Value of Assets capitalised and Leased during the year	-	228.99
Less : Capital Recovery for the current year	47.05	44.90
Lease Receivables as on 31.03.2007(*)	748.20	795.25

* Does not include ERV and additional capitalisation after the date of commercial operation, which are subject to approval of CERC.

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

Particulars	Rs. in crore	
	Amount as at 31.03.2007	Amount as at 31.03.2006
Gross Investment in Lease	1084.98	1183.20
Unearned Finance Income	336.78	387.95
Present Value of Minimum Lease Payment (MLP)	748.20	795.25

Gross Investment in Lease and Present Value of Minimum Lease Payments Receivables as at 31st March, 2007 for each of the periods are as under:

Particulars	Rs. in crore			
	Gross Investment in lease		Present Value of MLPs	
	2006-07	2005-06	2006-07	2005-06
Not later than one year	97.74	98.21	50.21	47.04
Later than one year and not later than five years	389.32	389.73	234.35	220.67
Later than five years	597.92	695.26	463.64	527.54
Total :	1084.98	1183.20	748.20	795.25

The unearned finance income as on 31.03.2007 is Rs. 336.78 crore (previous year Rs. 387.95 crore).

27. In terms of Accounting Standard 15, (revised 2005) on "Employee Benefits", provision of Rs. 47.08 crore {previous year Rs. 40.18 crore as per AS-15 (revised 1994)} has been made towards employee benefits (excluding actuarial valuation for the year Rs. 7.36 crore (previous year Rs. 19.07 crore) on account of Gratuity based on which payment has been made during the

- year) on the basis of actuarial valuation. The shortfall in liability towards employee benefit as on 1st April, 2006 based on revised actuarial valuation amounting to Rs. 32.67 crore has been adjusted against the opening balance of General Reserve in terms of the transitional provisions of the Standard.
28. Scheme for payment of transmission incentive to employees has been revised w.e.f. 1st April, 2006. Accordingly, Rs. 15.58 crore has been provided which is subject to revision on finalization of base figures/ parameters. The difference shall be adjusted in the year of final payment.
 29. Wage revision of the employees of the company is due w.e.f. 01.01.2007. Pending decision of the Committee, formed by Government of India, a provision of Rs. 27.22 crore has been made during the year on the basis of last pay revision of 1997.
 30. The Company has been allowed by Government of India for 'Initial Public Offer' not exceeding 24% of its paid-up capital in tranches, the first tranche being limited to 10% only. Further, Government of India has approved the disinvestment of 5% of its share holding in the company. Accordingly, Draft Red Herring Prospectus for facilitating the 'Initial Public Offer' consisting of fresh issue of 10% alongwith disinvestment 5% has been filed with SEBI on 17.04.2007. Expenditure of Rs. 0.24 crore incurred towards proposed 'Initial Public Offer' has been kept under 'Miscellaneous Expenditure' to the extent not written off or adjusted as "Share Issue Expenses". The amount include Rs. 0.15 crore paid to Auditors as Certification Fees and Rs. 0.01 crore being out of pocket expenses.
 31. A provision of Rs. 16.80 crore was made in the year 2001-02 for doubtful debts in respect of 13th Adjustment Bill raised on NER constituents. Some of the constituents have paid an amount of Rs. 2.81 crore of their outstanding dues on this account by way of issue of Bonds through Securitization Scheme. The issue will be settled after finalization of relief package by the Government of India. Pending finalization of relief package, the amount of Rs. 2.81 crore has been kept under 'Current Liabilities'.
 32. **Segment Reporting**

Rs. in crore

	Business Segments									
	Transmission		Consultancy		Telecom		ULDC/RLDC		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Revenue:										
Revenue from Operations / Reimbursement of RLDC Expenses	3584.15	3163.59	226.40	155.58	77.30	37.65	193.26	196.53	4081.11	3553.35
Segment result	1358.95	1070.25	157.63	118.96	-45.62	-53.02	12.23	33.17	1483.19	1169.36
Unallocated Corporate interest and other income									1.20	0.96
Unallocated corporate expenses, interest and finance charges									2.39	1.33
Income tax (Net)									252.63	160.06
Profit after Tax									1229.37	1008.93
Other information:										
Segment Assets	32651.77	26108.54	60.04	62.18	808.80	832.41	1548.33	1601.19	35068.94	28604.32
Unallocated Corporate and other assets									1664.24	1176.27
Total Assets									36733.18	29780.59
Segment Liabilities:	21953.38	16043.16	955.08	714.78	625.34	651.69	1270.48	1301.89	24804.28	18711.52
Unallocated Corporate and other liabilities									976.88	1087.81
Total liabilities									25781.16	19799.33
Depreciation	740.28	662.74	0.15	0.07	44.06	40.09	43.09	41.43	827.58	744.33

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 Systems Operation, Telecom etc.

b) Segment Revenue and Expenses

Revenue directly attributable to the segments is considered as Segment Revenue. Expenses directly attributable to the segments and common expenses allocated on a reasonable basis are considered as segment expenses. Consultancy allowance paid to all the employees has been considered as expense of 'Consultancy Segment'.

c) Segment Assets and Liabilities

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

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

33. A. Related Party Transactions

Related parties:

i) Joint ventures:

a) Powerlinks Transmission Limited.

Investment in equity shares during the year 2006-07 Rs. 23.52 crore (previous year Rs.110.20 crore) {Cumulative Investment Rs. 229.32 crore. (previous year Rs. 205.80 crore)} for establishment & maintenance of specific Transmission Lines associated with Tala HEP Project.

Reimbursement of expenses pertaining to Joint venture Rs. 0.16 crore (previous year Rs. Nil).

Income from consultancy services rendered to Joint Venture Company Rs. 1.01 crore (previous year Rs. 11.67 crore)

b) Torrent Power Grid Limited (Formerly Torrent Power Transmission Pvt. Limited)

Investment in equity shares during the year 2006-07 Rs. 0.01 crore (Cumulative Investment Rs.0.01 crore) for establishment & maintenance of specific Transmission Lines associated with Generation Project at Akhakhol in Surat.

c) Jaypee Powergrid Limited

Investment in equity shares during the year 2006-07 Rs.0.01 crore (Cumulative Investment Rs. 0.01 crore) for establishment & maintenance of specific Transmission Lines associated with Generation Project at Karcham in Kinnaur at Himachal Pradesh.

A consultancy agreement for Rs. 0.80 crore has been entered with Jaiprakash Hydro-Power Limited on behalf of Jaypee Powergrid Limited for detailed survey work for Transmission System associated with 1000 MW Karcham Wangtoo HEP. An advance of Rs. 0.32 crore has been received against this agreement.

Another consultancy agreement of Rs. 0.15 crore has been entered with Jaiprakash Hydro-Power Limited on behalf of Jaypee Powergrid Limited for consultancy services for preparation of Feasibility Report for the Transmissin System mentioned in above para.

ii) **Subsidiary:**

a) Parbati Koldam Transmission Company Ltd.

Investment in Equity shares during the year Nil. Cumulative investment Rs. 0.05 crore. Outstanding balance at end of the year Rs. 0.69 lacs (previous year Rs. 0.59 lacs). Certificate of Commencement of Business not yet received.

b) Byrnihat Transmission Company Limited

Investment in Equity shares during the year Rs. 0.05 crore. Cumulative investment Rs. 0.05 crore. Outstanding recoverable balance at end of the year Rs. 0.42 lacs. Certificate of Commencement of Business not yet received.

iii) **Directors:**

Dr. R.P. Singh	Chairman and Managing Director
Sh. S. Majumdar	Director (Projects)
Sh. J. Sridharan	Director (Finance)
Sh. U.C. Misra	Director (Personnel)*
Sh. J. Haque	Director (Operations)**

* Left POWERGRID on 25/01/2007

** superannuated on 31/01/2007

Remuneration to whole time Directors including Chairman & Managing Director is disclosed in Note No. 38 (excluding arrears paid to ex-directors).

Advances due from whole time Directors including Chairman and Managing Director Rs. 0.04 crore (previous year 0.05 crore).

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

B. Consolidated Financial Statements

a) The Company has an investment of Rs. 0.05 crore in the Equity shares of Parbati Koldam Transmission Company Ltd, a subsidiary company. An amount of Rs. 0.037 crore, for sale/transfer of 74% shares of the aforesaid subsidiary company to the joint venture partner, has been received during the year and has been kept in other liabilities pending transfer of shares and signing of JV agreement. As the control of the above subsidiary company is to be transferred to the proposed joint venture arrangement, the accounts of the subsidiary are not consolidated.

- b) The company has incorporated a subsidiary company namely Byrnihat Transmission Company Limited on 23.03.2006 by subscribing 50000 equity shares of Rs. 10 each. During the year, investment of Rs. 500000 has been made in the equity shares of the subsidiary.

Since transactions of both the subsidiaries are not material, the accounts of the two subsidiaries have not been considered for consolidation.

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

	As at 31.03.2007	As at 31.03.2006
Numerator		
Profit after tax as per Profit & Loss Account (Used as Numerator) (Rs. in crore)	1229.37	1008.93
Denominator		
Number of equity shares {Face value of Rs 10/- each (previous year Rs. 1000/- each)}	3787407300	35846286
Shares allotted during the year *(Shares originally allotted at face value of Rs. 1000/- each and on 28.03.2007 each share has been split into 100 equity shares of Rs. 10/- each)	202778700*	4193800
Weighted Average number of equity shares for calculating Basic earning per share	3708927912	32900757
Weighted Average number of equity shares for calculating Diluted earning per share	3747739912	33288877
Basic earning per share (Rs. /per share) {Face value of Rs 10/- each (previous year Rs. 1000/- each)}	3.31	307
Diluted earning per share (Rs. / per share) {Face value of Rs 10/- each (previous year Rs. 1000/- each)}	3.28	303

35. Information in relation to the interest of the company in Joint Venture Agreement in accordance with the provision of AS 27.

		Powerlinks Transmission Limited	Torrent Power Grid Limited	Jaypee Powergrid Limited
A	Singificant Joint Venture & Description	Estbalishment & maintenance of specific Transmission Lines associated with Tata HEP Project.	Estbalishment & maintenance of specific Transmission Lines associated with Generation Project at Akhakhol in Surat	Estbalishment & maintenance of specific Transmission Lines associated with Generation Project at Karcham in Kinnaur at Himachal Pradesh.
B	Proportion of ownership and name of the JV partner	POWERGRID 49% equity, The Tata Power 51% equity	POWERGRID 26% equity, Torrent Power Limited 74% equity.	POWERGRID 26% equity, Jaiprakash Hydro-Power Limited 74% equity (as on 31.03.2007 POWERGRID is holding 20.63% shares in the Joint Venture. However, as per Share Holders Agreement, POWERGRID has right to hold 26% shares).
C	Country of incorporation of JV partner	India	India	India
D	Contingent Liability	Shares worth Rs. 229.32 crore (Refer Note to Schedul 9) of the Joint Venture Company are pledged with the lenders of the joint venture company	Nil	Nil



		Powerlinks Transmission Limited	Torrent Power Grid Limited	Jaypee Powergrid Limited
E	Capital Commitment	Nil	Nil	Nil
F	Disclosure of information related to and included in Assets/ Liabilities & reimbursement of expenses	<p>Rs. 229.32 crore equity contribution in Powerlinks Transmission Ltd. Shown under 'Investments'.</p> <p>Rs. 0.16 crore Reimbursement of Exp., Rs. 1.01 crore (previous year Rs. 11.67 crore) consultancy fees</p> <p>49% share as on 31.03.2007 in the equity of PowerLinks Transmission Ltd. represents assets, liabilities, income & expenditure based on un-audited accounts as at 31st March, 2007</p>	<p>Rs. 0.01 crore equity contribution in Torrent Power Grid Limited shown under 'Investments'.</p> <p>26% share as on 31.03.2007 in the equity of Torrent Power Grid Ltd. represents assets, liabilities, income & expenditure based on un-audited accounts as at 31st March, 2007</p>	<p>Rs. 0.01 crore equity contribution in Jaypee Power Grid Limited shown under 'Investments'.</p> <p>A consultancy agreement for Rs. 0.80 crore has been entered with Jaiprakash Hydro Power Limited on behalf of Jaypee Power Grid Limited for detailed survey work for Transmission System associated with 1000 MW Karcham Wangtoo HEP. An advance of Rs. 0.32 crore has been received against this agreement.</p> <p>Another consultancy agreement of Rs. 0.15 crore has been entered with the Joint Venture Company for consultancy services for preparation of Feasibility Report for the Transmission System mentioned in above para.</p> <p>20.63% share as on 31.03.2007 in the equity of Jaypee Power Grid Ltd. represents assets, liabilities, income & expenditure based on audited accounts as at 31st March, 2007</p>
	Assets & liabilities			Rs. in Crore
	Net Block	712.98	Nil	Nil
	Work in Progress	0.20	Nil	0.046
	Net Current Assets	43.43	0.009	(0.103)
	Miscellaneous Expenses			
	Total Assets	756.61	0.009	(0.057)
	Less : Loans	517.17	0.005	Nil
	Net Worth	239.44	0.004	(0.057)
	Represented by			
	Equity	229.32	0.013	0.013
	Miscellaneous Expenditure	Nil	(0.009)	(0.070)
	Profit & Loss A/c.	Nil	Nil	Nil
	Reserves	10.12	Nil	Nil
	Income & Expenditure			
	Revenue from Operations	66.16	Nil	Nil
	Other Income	1.69	Nil	Nil
	Total	67.85	Nil	Nil
	Less : Employees Remuneration	1.16	Nil	Nil
	O&M expenditure	0.74	Nil	Nil
	Depreciation	24.80	Nil	Nil
	Interest & Finance Charges	29.37	Nil	Nil
	Profit Before Tax	11.78	Nil	Nil
	Taxes	1.66	Nil	Nil
	Profit After Tax	10.12	Nil	Nil

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

	No. of Shares
PTC India Limited	6
Powerlinks Transmission Ltd.	3
Parbati Koldam Transmission Ltd.	6

37. a) Figures have been rounded off to nearest rupees in crore.
b) Previous year figures have been regrouped/rearranged wherever necessary.
38. a) Employees' remuneration and benefits include the following for the Directors, including Chairman and Managing Director and excluding arrears paid to ex-directors

	Current Year	Previous year
Salaries and Allowances	0.43	0.27
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	0.05	0.03
Other benefits	0.23	0.15

- 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.

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

	Current Year	Previous year
i) Capital Goods	337.01	152.89
ii) Spare Parts	3.46	1.42

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

	Current Year	Previous year
i) Professional and Consultancy fees	1.78	0.23
ii) Interest	309.68	240.18
iii) Others	13.98	9.12

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

	%	Current Year	%	Previous Year
i) Imported	9.78%	1.57	12.12%	1.42
ii) Indigenous (Including fuel)	90.22%	14.49	87.88%	10.30

- d) **EARNINGS IN FOREIGN EXCHANGE :**

	Current Year	Previous year
Interest	Nil	0.26
Consultancy Fee	0.45	Nil

40. **ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

- i) **REGISTRATION DETAILS :**

Registration No.	55-38121
State Code	55
Balance Sheet Date	31 st March, 2007

- ii) **CAPITAL RAISED DURING THE YEAR**

	Rs in crore
Public Issue	Nil
Rights Issue	Nil
Private Placement(Issued to Govt. of India)	202.78
Bonus Issue	Nil

iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

	Rs in crore
Total Liabilities	36746.04
Total Assets	36746.04
Sources of funds	
Paid up Capital	3826.22
Reserves and Surplus	7138.66
Secured Loans	13053.30
Unsecured Loans	6272.20
Advance against Depreciation	1201.17
Deferred Tax Liability	419.33
Application of Funds	
Net Fixed Assets	21816.07
Capital Work-in-Progress (including Construction, Stores and Advances)	9440.39
Investments	1967.00
Net Current Assets	(-) 1325.44
Miscellaneous Expenditure	12.86

iv) PERFORMANCE OF COMPANY

	Rs in crore
Turnover/Income	3589.85
Other Income (including Transfer from Grants in Aid)	492.46
Total expenditure	2600.31
Profit before Tax	1482.00
Profit after MAT and Deferred tax	1229.37
Earning per share (Basic) (Rs.)	3.31
Dividend Amount	368.82

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)
Director (Finance)

(Dr. R.P.Singh)
Chairman and Managing Director

As per our report of even date

For O.P. Bagla & Co.
Chartered Accountants

For B.M. Chatrath & Co.
Chartered Accountants

For Nataraja Iyer & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

(P.R. Paul)
Partner

(E.S. Ranganath)
Partner

Place : New Delhi.
Date : 16th May, 2007



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, 2007, and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Company is governed by the Electricity Act, 2003. Though the said Act has repealed the Electricity (Supply) Act 1948 and Electricity Regulatory Commission Act, 1998, certain provisions of the repealed Acts, to the extent they are not inconsistent with the provisions of said Act, continued to be applied by the Company while preparing the financial statements. Further, the provisions of the said Act read with the rules thereunder have prevailed wherever the same have been inconsistent with the provisions of the Companies Act, 1956.
4. As required by the Companies (Auditor's Report) Order, 2003, read with Companies (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. We draw attention to Note No.14, Schedule 28 of the financial statements in respect of matters related to transmission income.
6. Further to our comments in the annexure referred to in paragraph 4 & 5 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, subject to our observations in paragraph 3 above, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
 - e) In pursuance to the notification No. GSR 829(E) dated 17.7.2003, issued by the Department of Company Affairs; clause (g) of sub-section (1) of section 274 of Companies Act, 1956 pertaining to disqualification of Directors is not applicable to a Government Company.
 - f) In our opinion and to the best of our 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, 2007.
 - 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: 16th May, 2007



ANNEXURE TO THE AUDITORS' REPORT

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

1.
 - a) The Company has generally maintained records of Fixed Assets, showing full particulars including quantitative details and situation of Fixed Assets.
 - b) The assets have been physically verified by external agencies during the year and discrepancies, though not material, noticed on such verification, have been reconciled/adjusted in the books of account. In our opinion, frequency of verification is reasonable.
 - c) During the year the company has not disposed off substantial part of its Fixed Assets.
2.
 - a) Physical verification of inventory has been conducted by external agencies during the year, except for the materials lying with contractors. In our opinion frequency of verification is reasonable.
 - b) The procedures of physical verification of 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, Clause iii of paragraph 4 of the Order is 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 activities. During the course of our audit we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the underlying internal control systems.
5. According to the information and explanation given to us, there are no contracts or arrangements referred to in section 301 of the Companies Act 1956, during the year, to be entered in the register maintained under that section. Accordingly Clause (v) of paragraph 4 of the Order is not applicable.
6. Since the Company has not accepted any deposit from the public, the question of compliance with the directives issued by the Reserve Bank of India and the provisions of section 58-A, 58-AA and other relevant provisions of Companies Act, 1956, and rules framed thereunder, does not arise.
7. The Company has an Internal Audit system. In our opinion, the scope and coverage of internal Audit are commensurate with the size and nature of its business. However, the compliance and implementation mechanism, needs to be further improved.
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 statutory dues applicable to the Company and that there are no undisputed statutory dues outstanding as on 31.3.2007 for a period of more than six months from the date they became payable.
As informed, the provisions of the Employees State Insurance Act are not applicable to the Company.
Unclaimed bonds of Rs. 0.11 crore which has not exceeded the time limit prescribed under Section 205C of the Companies Act, 1956 are lying as liability towards Investor Education & Protection Fund..
 - b) According to information and explanation given to us, following disputed income tax / sales tax / customs duty / wealth tax / service tax / excise duty / cess dues have not been deposited.

Particulars	Amount (Rs. in crore)	Forum Where Pending
Entry Tax	2.07	Appellate Additional Commissioner Commercial Tax (Appeal), Jabalpur
Entry Tax	29.27	High Court of MP, Jabalpur
Sales Tax	0.37	Appellate Addl. Commissioner Commercial Tax, Jabalpur
Entry Tax	10.61	Chattisgarh Sthaniya Kshetra Me Mal Ke Pravesh par Kar Adhinyam, Dept. of Commercial Taxes, Chattisgarh
Wealth Tax	0.18	Kumhari Nagarpalica Prishad, Raipur
Education Cess	0.77	Dehgam Nagar Palika, Dehgam
Property Tax	0.06	Dehgam Nagar Palika, Dehgam



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Sales Tax	20.07	J&K State Sales Tax Appellate Tribunal
Sales Tax	13.39	Dy. Commissioner of Sales Tax (Appeal), Jammu, J&K State
Sales Tax	4.01	Hon'ble High Court of Orissa, Bhubneshwar
Interest on custom/excise duty for Deemed Export benefit	57.79	Commissioner of Customs & Excise, Mumbai & Trivendrum
Entry tax	11.41	Joint Commissioner of Commercial Tax (Appeal), Patna
Service Tax	0.31	Commissioner of Central Excise, Patna
Interest on custom/ Excise duty	16.43	Commissioner of Customs & Central Excise, Peetampur & Mumbai
Income Tax & Interest	40.25	Income Tax Appellate Tribunal, New Delhi.
Income Tax (TDS) on perquisites	23.47	High Court, Kolkata
Service Tax	2.38	Additional Director General, Central Excise, Intelligence New Delhi

- 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.
- 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.
- The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- The company is not a chit fund or nidhi/mutual benefit fund/society. Accordingly, Clause xiii of paragraph 4 of the Order is not applicable.
- In our opinion, the Company is not dealing in or trading in shares, debentures, and other investments. Accordingly, Clause xiv of paragraph 4 of the Order is not applicable.
- 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 Powerlinks Transmission Limited have been pledged in favour of financial institutions for financial assistance obtained by the said company, as per the terms and conditions of Joint Venture Agreement. In our opinion and to the best of our information and according to explanation given to us, the terms and conditions of share pledge agreement are not, prima facie prejudicial to the interest of the company.
- In our opinion, on an overall basis, and according to the information and explanation given to us, the company has applied the term loans for the purpose, they were raised during the year.
- 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.
- The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act during the year.
- Securities or charge have been created against all the bonds issued by the company except XXI to XXIV Series of Bonds aggregating to Rs.2307 crore issued during the year for which securities or charge has not been created till the finalization of the financial statements.
- The Company has not raised money by public issue during the year. Accordingly clause xx of paragraph 4 of the order is not applicable.
- During the course of our examination of books and records of the company for the year, carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instances of fraud on or by the company, nor have we been informed of such cases by the Management.

For 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: 16th May,2007

Management Discussion and Analysis

Growth in Transmission:

Keeping in view the large incremental capacity addition requirements of 10th and 11th Five Year Plans and to fulfill the macro objective of Power sector i.e. power to all by 2012, POWERGRID is oriented towards implementation of generation evacuation schemes, strengthening of regional grids, development of an integrated National Grid with flexibility for power transfer from one region to another and has in place the requisite Load Despatch facilities for real time grid operation. POWERGRID has:

- implemented various Transmission Schemes and its Network has grown to 61,500 circuit kms. of Extra High Voltage transmission lines with 106 Nos. of EHVAC & HVDC sub-stations till June, 2007. Presently, about 32,500 circuit kms. of Extra High Voltage transmission lines and 35 sub-stations are under construction.
- established the Inter-regional power transfer capacity of 14,100 MW,
- consistently maintained the transmission system availability over 99% at par with the International utilities.

POWERGRID's commitment towards furtherance of National Grid

The target and achievement of POWERGRID during the year 2006-07 have been as under:

Works	Target to achieve excellent MOU rating	Achievement	Percentage
Foundation(Nos.)	8000	11102	139%
Tower Erection(Nos.)	8500	11447	135%
Stringing(in Kms.)	5200	7062	136%

As per the MOU signed with the Ministry of Power, a target (Excellent) for stringing of 6,200 Kms. have been set for the F.Y. 2007-08. Till the end of June, 2007 stringing of 2,710 ckms. has already been completed against the target of 2,295 ckms. i.e. achievement of 118%.

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 by 2012. This would require capital investment of over Rs. 55,000 crore during XI Five Year Plan for supporting generation capacity addition plan of 78,500 MW. Such an integrated grid will carry 60% of the power generated in the country by 2012.

Risks and Concerns:

The CERC notified terms and conditions of tariff for the period 2004-09, applicable from 01.04.2004 to 31.03.2009. As per the said norms, the Return on Equity is 14% post tax (reduced from 16% return prevailing earlier), incentive is linked to equity and efforts towards availability beyond 98% of AC System and 95% for HVDC System are incentivized.

The issue of charging depreciation at rates different from the rates specified under the Companies Act has been referred by CAG to Ministry of Power (MOP) and the same is pending disposal with MOP. However, MOP has in compliance with Sec. 3 of the Electricity Act, 2003 notified the Tariff Policy on 6th January, 2006, which provides that the rates of depreciation notified by CERC would be applicable for the purpose of tariff as well as accounting. Pending finalization of norms by CERC as per Tariff Policy for the block year 2004-05, the present rates of depreciation notified by CERC, the depreciation charge was lower by Rs.498.01 crore (previous year Rs.465.12 crore) as compared to the depreciation as per rates provided in Schedule XIV of the Companies Act, 1956.

Further, as per the Tariff Policy issued on 6th January, 2006, Central Electricity Regulatory Commission (CERC) shall be guided by the Tariff Policy while specifying the terms and conditions for the determination of tariff. In addition to the provision that the rates of depreciation notified by CERC would be applicable for the purpose of tariff as well as accounting, the Policy includes following major items:

- The return on investment would be notified by CERC based on either Return on Equity Approach or Return on Capital Approach whichever is considered better in the interest of consumers.
- There would be no need for any Advance Against Depreciation.
- Foreign Exchange Rate Variation will not be pass through. Appropriate cost of hedging and swapping for management of FERV will be allowed.

Restoration of Depleted Equity: The methodology followed for the tariff for the blocks of 1992-97 and 1997-2001, had resulted in depletion of equity by about Rs.646 crore for assets under commercial operation up to 31.3.1997. POWERGRID appealed before the Hon'ble Appellate Tribunal. The Appellate Tribunal in its order dated 16th May, 2006 observed that POWERGRID is entitled to the restoration of depleted equity and remitted the matter to CERC for re-determination of the tariff for the period commencing from 1.4.2004. As directed by the Tribunal, your company had filed tariff petitions before CERC for recalculation of tariff. However, Punjab State Electricity Board has filed an appeal before the Supreme Court for setting aside the Order of the Appellate Tribunal. The appeal is currently pending. Until re-determination of the charges by the CERC, subject to decision of the Hon'ble Supreme Court, the applicable transmission charges are those which were originally been determined by the CERC.

On the commercial front, under Securitization Scheme, out of the total securitization dues of Rs.2105 crore, dues of Rs.87.73 crore (for DESU period) are pending for securitization. During 2006-07, bonds worth Rs.186.32 crore have been redeemed by the SEBs. In addition, Rs.7.71 crore Delhi (Delhi Vidyut Board). Further till June, 2007 money against bonds worth Rs.59.45 crore has been realized prematurely, under the call option exercised by Karnataka (100% of bonds issued) and Tamil Nadu (100% of bonds issued) and from Rajasthan (six installments).

POWERGRID has realized almost 100% of its Transmission Charges during the Year 2006-07. During the Financial Year 2007-08, till June'07, the Company has realized Rs.1010.95 crore against the actual billing of Rs.1013.52 crore, a collection of 99.75%. Post securitization, dues (from 01.10.01 to 30.06.07) Rs.5.17 crore are outstanding, these dues are from Meghalaya. Further, during the Year 2006-07, the LC coverage went up to Rs.260.57 crore as against of Rs.251 crore during the year 2005-06.

Overcoming Construction Challenges:

POWERGRID would be implementing major quantum of works towards transmission development in the next 5-6 years. In addition, large quanta of works under consultancy assignments are being executed. These entail multidimensional challenges. The challenges mainly relate to accessibility, construction feasibility, technical restrictions, conservation of environment and right-of-way etc. POWERGRID has taken following measures to meet the massive task:

(i) Route Alignment & Detailed Survey Using Modern Techniques:

POWERGRID is applying modern techniques for route alignment and detailed survey of transmission lines for selection of transmission line route with the help of GIS Mapping and Satellite Imagery. By designing the optimal transmission line route covering multiple locations through these advance survey techniques, the cost and execution time can be contained within the pre-determined parameters.

(ii) Vendor Development Programme:

POWERGRID is taking initiative towards development of potential vendors to increase vendor base so that the task can be accomplished in a cost effective and time bound manner. The Vendor Development Programme has been taken up for developing Tower manufacturers as well as civil construction firms/Tower Contractors having experience of construction of 110/132 kV Lines. Initiatives taken under Vendor Development have shown favorable results. Some of the parties through Tower manufacturers as well as civil construction firms/Tower Contractors have been emerged as additional vendors. Vendor Development Programme for Sub-stations, Transformers and Reactors has also been initiated.

The following projects/ Schemes have been taken under execution under Vendor Development Programme:

- Through Tower Manufacturer Route - (i) LILO of 400 kV D/C Nellore- Sriperumbdur transmission line and commissioned during 06 -07; (ii) 400 kV D/C Malerkotla-Ludhiana-Jalandhar transmission line.
- Through Civil Construction Firms/ Tower Erectors for 110/132 kV Route - (i) LILO of 400 kV D/C Vijaiwada-Gazuwaka transmission line under SR Strengthening-VI, (ii) 400 kV D/C Sipat-Raipur transmission line under WR Strengthening-I, (iii) 400 kV D/C Bhadravati-Chandrapur Line, (iv) LILO of 400 kV S/C Kolar-Sriperumbdur at Mlarekottaiyur (Kaiga-3&4) transmission line, (v) LILO of one circuit of 400 kV D/C Talaguppa-Neelmangala at Hassan under SR Strengthening-VII, and (vi) LILO of one circuit of 400 kV D/C Madurai-Trichy at Karaikudi under SR Strengthening-VII.

The supply portion of a number of tower packages and some 320kN /420kN Disc Insulators have also been taken up during the year, under Vendor Development Programme.

(iii) Towards Standardisation

POWERGRID is aiming standardisation of the repetitive and ppackage wise post award engineering activities viz. finalisation and approval of design/drawing/testing of various equipment/items standardisation of designs/drawings and incorporating the same in the technical specifications or through finalising manufacturer specific designs/drawings applicable for all future packages. After this standardisation of designs/drawings/type testing for regular packages, post award engineering activities shall be required only for new type of projects/equipments. POWERGRID has standardised the following designs and Technical Parameters:

- ✓ Transmission Line structures for 765 kV, 400 kV and 220 kV lines.
- ✓ Substation structures for 400 kV and 220 kV switchyards.

- ✓ Conductor and Earthwire Drum Drawing.
- ✓ Technical Parameters for Earthwire, Hardware fittings and Accessories for 400 kV lines.
- ✓ Sub-station equipment.

(iv) Preventive Maintenance

On Maintenance front, thrust is given on preventive maintenance which utilises state-of-the-art maintenance techniques like Condition Monitoring, Hotline Maintenance, Live line detection of insulator failure, Thermo-vision Scanning, software based interpretation techniques & Reliability Centered Maintenance(RCM) etc. to pre-empt the transmission element failure and take corrective actions in time.

Telecommunication:

During 2006-07, POWERGRID has obtained the National Long Distance (NLD) License from the Department of Telecommunications (DoT) on 5th July, 2006. The license will allow POWERGRID to explore more options and opportunities in customer segments, increase consumer base and provide value added services to customers. The license would also enable POWERGRID to address the bandwidth requirement of customers who could not be serviced under the present IP -I, IP -II and ISP licenses and efforts are on for increased utilization of POWERGRID's telecom network.

Works & Procurement Policy & Procedures:

The Works & Procurement Policies and Procedures Vol-I & II developed by POWERGRID were adopted in 2001 and 2002, respectively. These documents were under review last year in the light of experience gained in its implementation and to update the changes in the various notifications etc. taken place in between. Vol-I has been finalized and Vol.II is under finalization. Further, other manuals of the Company like Delegation of Powers to the various hierarchy of the company is also under review.

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.

Grid Performance:

During the financial year, the grid performance improved due to implementation of Availability Based Tariff, Free Governor Mode of Operation of generating units, various inter-regional links, modernization of RLDC having state-of-the-art technology and manning of RLDCs by skilled and experienced personnel. There has been no major grid disturbance in any part of the Country during the last 4½ years. In fact, tripping of lines and partial grid disturbances of minor nature in regional grids have come down significantly, as to be reckoned to be a benchmark achievement. 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.

System availability has been maintained at above 99% during the year 2006-07 through deployment of modern Operation & Maintenance techniques at par with International standards.

Attracting Private Participation through Joint Venture Route:

The 1st public - private partnership in Power Transmission (Tata Power 51% - POWERGRID 49%) to execute the Transmission System associated with Tala Hydro-electric project, East-North Interconnector and Northern Region Transmission System was completed and commissioned during the year 2006-07. The Transmission System has been executed in two parts – (i) The transmission lines (1166 Kms) from Siliguri in West Bengal via Bihar to Mandola in Uttar Pradesh have been executed by POWERLINKS on BOOT basis; and (ii) the second part of the project has been executed by POWERGRID consisting of 4 new sub-stations and extension of 6 existing sub-stations along with LILOs and series compensation for absorption of the power in ER and NR. The said transmission system has inter-regional power transfer capacity of 2000 MW.

As brought out in the Directors' Report, five more MOUs were signed by POWERGRID with the various companies. Out of that, during the year Joint Venture Agreements were signed with two Companies viz.

- 1) Torrent Power Ltd. for implementation of transmission system associated with 1100 MW SUGEN Generation Project in Distt. Surat, being implemented by Torrent Power Ltd. The JV has been named as Torrent Powergrid Ltd. The estimated cost of the project is

about Rs.358crore. POWERGRID would hold equity of 26% and the balance of 74% shall be contributed by TORRENT. The License for the Project has been issued by CERC;

- 2) Jaiprakash Hydro Power Ltd. for implementation of transmission system associated with 1000 MW Karcham Wangtoo HEP in Himachal Pradesh, being implemented by Jaiprakash Hydro Power Ltd. The JV has been named as Jaiprakash Powergrid Ltd. The estimated cost of the project is about Rs.950crore. POWERGRID would hold equity of 26% and the balance of 74% shall be contributed by Jaiprakash. The License for the Project has been applied for.

Efforts on IPTC Route:

In deference to the decision of the CERC, POWERGRID initiated bid invitation of Projects B and C of the WRSSS-II through IPTC Route. Projects B and C comprise of transmission lines in the State of Maharashtra and Gujarat, respectively. The bids were opened during the year. In view of PPPAC notification, the project agreements are under evaluation.

Environment & Social Management in POWERGRID

POWERGRID, which is committed to achieve the goal of Sustainable Development realizes that though there is negligible impact upon both natural environment and communities, POWERGRID has adopted pro-active approach and developed an comprehensive "Environmental Social Policy & Procedures" (ESPP) in April'98 through nation wide consultation involving Stakeholders, General public, representatives from Ministry of Power, MOEF, CEA, State Electricity Boards, Allied Organizations, Academia, NGOs, Multilateral funding agencies and Project Affected Persons (PAPs) which was further upgraded and modified in March,2005. POWERGRID is committed to the concept of Eco-efficiency and adopt analytical approach to help and direct its efforts for achieving the goal of sustainable development.

In order to achieve excellence at global level, POWERGRID has constituted an independent committee comprising eminent environmentalists / social scientists of international repute including the representatives nominated by multilateral funding agencies like World Bank, ADB etc. under the Chairmanship of Mr. Samar Singh, a renowned conservationist and former Secretary General, World Wide Fund for Nature (WWF) India. The Committee has completed review of updated ESPP keeping in view international best practices and shall be overseeing the compliance of ESPP by POWERGRID.

Internal Control:

POWERGRID has a comprehensive Internal control to verify the Accounting and Financial Management System, adequacy of controls, material checks, financial propriety aspects and compliance implementation mechanism. Keeping in view the time schedule of conducting Internal Audit and the increase in the number of Audit Units, the internal audit for the year 2006-07 has been finalized with in-house Audit Department and experienced firms of Chartered Accountants. Steps have also been taken in regard to strengthening of the compliance mechanism.

Adhering to the Corporate Governance norms, the company has an Audit Committee since January, 1999. The Audit committee deliberates the findings of the Internal Auditors of significant nature along with the follow up action, remedial action taken by POWERGRID.

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.

PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF THE COMPANIES ACT, 1956 FOR THE YEAR 2006-07

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	Praveen Kumar Verma	Dy. Manager (Engg.)	B. Tech (Civil)	456058	11	08.09.95	33	-
2	J. Haque	Director (Operations)	BE (Mech.)	3263430	37	16.12.91	60	NTPC Ltd.
3	Gurdas Ram	Sr. Assistant Grade-III (Engg.)	12th Pass	414752	37	19.11.91	60	NHPC Ltd.
4	S. V. Appa Sharma	Dy. General Manager (Engg.)	BE (Elect.)	808093	26	16.08.91	54	NTPC Ltd.
5	S. B. C. Mishra	Executive Director (Matl. & TCC)	B.Sc, BE (Elect.)	2018383	30	19.11.91	60	NHPC Ltd.
6	Anil Chanana	Addl. General Manager	BE (Elect.)	1409108	35	19.11.91	60	NHPC Ltd.

Notes:

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

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

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken and on hand:

POWERGRID has strong belief that energy conserved is energy generated and therefore, for optimal utilization of resources, all efforts are made by POWERGRID for conservation of energy right from the planning stage to the execution stage of the transmission projects. 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 major reasons for adoption of 765kV AC & ± 800 kV HVDC alternatives. Accordingly, POWERGRID has planned one of the largest capacity HVDC Bipole from North-Eastern Region to Central India. Also, at design stage of the transmission system, optimization of various parameters is done so that losses in the transmission system are optimised. The conductors are selected after detailed optimization studies which mainly consider reduction of line losses as one of the primary criteria. The bus bar materials and the clamps and connectors are chosen meeting stringent international requirements so that losses are optimised. During evaluation of transformer & shunt reactor packages, equipment with minimum losses is given weightage. Further, in case of transmission hardware, the material with lower losses is specified. Parameters and types of various other equipments are also chosen in a manner that the losses are optimized. Latest techniques and intelligent systems (e.g. series compensation, shunt capacitors, FACTS, bundled conductors etc) are being introduced in transmission network which result in loss reduction. Thus at every step, energy conservation measures are taken by POWERGRID so as to ensure development of an efficient transmission network.

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

As stated above, energy conservation measures are being adopted by POWERGRID for its transmission schemes right from planning to execution stage to make overall transmission systems more efficient.

B. RESEARCH AND DEVELOPMENT

1 & 2 Considering the requirement for development of large environmental friendly transmission network to meet the future power requirement, major thrust is being given by POWERGRID to research and development activities and seamless integration of new and efficient technologies to achieve sustainable growth. Keeping this in view, POWERGRID has been according special emphasis on adoption of new technologies available around the globe for improving the quality of power supply, reduction of losses, optimum utilization of the available transmission assets, conservation of environment and optimizing upon the cost of delivered power. The company is working in collaboration with International/National research institutions, academic institutions and manufacturers, and is thus enhancing its in-house capabilities for design and engineering of state-of-the-art transmission systems.

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

Completed Projects:

1. Enhancement of power transfer capacity of existing transmission lines through implementation of series compensation including TCSC on 5 no. transmission corridors of 400kV lines including Quad conductor lines
2. Transmission line route selection and length optimization through modern survey techniques using Satellite Imageries, Total Stations and Computer Aided tower spotting which has resulted in optimization of route length of transmission lines of various schemes.
3. Completed in-house design and testing of 4 no. of towers for transmission lines upto 765kV which included 3 no. 400kV multi-circuit towers
4. Completed in-house design of over 300 no. of tower foundations for transmission lines upto 765kV which included special foundations
5. Line optimization studies including Conductor bundle selection studies for + 800kV HVDC transmission line
6. Indigenous development of high strength 320KN and 420 KN insulators for 400kV AC & 765kV AC applications
7. Use of 400kV D/C Pole structure towers in LILO of 400kV Dadri-Ballabgarh line at Mahrani Bagh (3 nos. Pole structures erected), area of high population density and to ensure aesthetic integration to surrounding environment.
8. Use of New Technology 'INVAR' conductor (maximum permissible operating temperature 210 deg C) for LILO of 400kV Dadri-Ballabgarh line at Mahrani Bagh. 'Twin INVAR' conductor bundle being used for LILO in place of conventional 'Quad ACSR' bundle used in existing transmission line
9. Reduction in overall cost and land requirement for new substations by adopting various measures like optimization of bay widths of 400KV (27m \rightarrow 24m), 220KV (18m \rightarrow 16m) and 132KV(12m \rightarrow 10.5m), re-designing of Control room building and introducing multistorey residential buildings in Substation Colony
10. Standardization of switchyard lattice and pipe type structures

Ongoing Projects

1. Several existing Substations in different Regions are being augmented for remote operation from nearby Substations so as to reduce the operation cost.
2. Substation Automation with IEC 61850 protocol is being adopted for all new Substations of POWERGRID. This would result in savings in operational cost and increased operational and maintenance efficiency.



3. Development of in-house foundation and tower designs for use in on-going transmission line projects.
4. Development of design of 4 no. 800KV HVDC towers.
5. 400 kV Gas Insulated Substation (GIS) at Maharani Bagh (Delhi), Gurgaon and Koteswar are under implementation. Upgradation of 400 kV GIS to 800 kV at Koteswar is also under implementation.
6. 800 kV Fixed Series Compensation (FSC) at Meerut is under implementation. It will be first 800 kV FSC in India.
7. POWERGRID has undertaken development of in-house designs for 400kV & 765kV guyed towers as well as ERS in association with SERC.
8. Existing 400kV D/c Purnea-Siliguri line 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.
9. 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.
10. Implementation of High Surge Impedance Loading (HSIL) line
11. High Capacity, ± 800 kV, 6000 MW HVDC Bipole design for long distance power transfer over 2000-2500 km. from NER.
12. Engineering Data Integration on GIS Platform.
13. 800KV substation including transformers and reactors under implementation
14. 2500 MW, ± 500 kV Balia – Bhiwadi HVDC Bipole with Lapwing conductor under implementation
15. 400kV Multicircuit towers to accommodate 4 circuits under implementation in forest stretches as an initiative towards Environmental Conservation.
16. Planning of 1200kV UHVAC Super grid overlaying the existing 400/765kV system
17. Installation of fault current limiting reactor at critical lines/ substations
18. Implementation of controlled switching for transmission line
19. For efficient Grid management, continuous upgradation of the load dispatch centres through technologies like Intelligent Grid comprising Wide area monitoring, adoptive islanding, Voltage Security Assessment, Dynamic Security Assessment.
20. Line Design & Optimisation studies including experimental tests for 1200kV AC transmission lines.
21. Interference measurements (Electric field, Magnetic field, Audible Noise & RIV) for 765kV AC Seepat-Seoni transmission line
22. Reconductoring of existing 400kV D/C Siliguri- Purnea transmission line with new technology 'High Temperature Low Sag Conductor'.
23. Indigenous development of 120KN & 160KN Composite insulators for 400kV AC transmission lines.
24. Indigenous development of extra high strength 320KN & 420KN disc insulators for ± 500 kV HVDC & ± 800 kV HVDC applications.
25. Residual Life Assessment of substation equipment at our 400kV oldest substation at Hyderabad.
26. Live line re-conductoring for up rating the transmission lines.
27. Indigenous Development of SF6 gas filled Current Transformer with BHEL
28. Development of Optical Instrument Transformers with CPRI/ERDA

Technology Absorption:

1. POWERGRID is employing modern Survey techniques for route selection, length optimisation and estimation of BOQ for transmission lines.
2. Substation Automation is being adopted by POWERGRID in all the new substations of POWERGRID.
3. As a step towards National grid, 800kV technology has been absorbed for implementation in our country. Now, ± 800 kV HVDC and 1200kV UHVAC technologies are being planned for bulk power transfer across the country.
4. For maximum utilization of existing infrastructure, application of Series compensation including TCSC has been adopted on EHV lines.
5. In special areas, compact towers like delta configuration, narrow based towers which reduce the space occupied by the tower base, are being used. Also tall towers and multi-circuit towers are being used for conservation of scarce right-of-way.

FOREIGN EXCHANGE EARNINGS AND OUTGO

Foreign Exchange Earnings

		(Rupees in crore)
(a)	Interest	-
(b)	Consultancy Fee	0.45
		<u>0.45</u>

Foreign Exchange outgo

(i)	Capital goods and Spare Parts	340.47
(ii)	Professional and Consultancy Fee	1.78
(iii)	Interest	309.68
(iv)	Others	13.98
		<u>665.91</u>



Annexure - IV to 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 31 MARCH 2007

The preparation of financial statements of Power Grid Corporation of India Limited for the year ended 31st March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 16.05.2007.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619 (3) (b) of the companies Act, 1956 of the financial statements of Power Grid Corporation of India Limited for the year ended 31st March 2007. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under section 619 (4) of the Companies Act, 1956.

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

(Meera Swarup)

Principal Director of Commercial Audit and
ex-officio-Member Audit Board-III
New Delhi

Place : New Delhi
Dated : 19th June, 2007

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 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, Govt. Nominee Directors and Non Official Part Time Directors. The rights and obligations of the employees are delineated in the policy Manuals published and the amendments are notified from time to time. The powers of the internal participants i.e. top executives and below are laid down in the well established and practiced "Delegation of Powers". POWERGRID has also prepared and implemented "Works and Procurement Policy and Procedure for Pre-award and Post-award Stages" with a view to making the policies and procedures more systematic, transparent and easy to administer with major thrust on expeditious and decentralized decision making coupled with accountability and responsibility. The Board has also constituted several Committees viz. Committee for Award of Contracts relating to RE, APDRP and other Deposit Works, Committee on Feasibility Reports and Revised Cost Estimates, Committee of Bonds, Shareholders/Investors Grievances Committee etc. to have better and more focused attention. During May'07 a Telecom Advisory Board of eminent persons has also been constituted to advise POWERGRID about new/emerging business opportunities in the Telecom sector, formulation of Road Map for Telecom, strategic tie ups etc.

Management Discussion and Analysis is Annexed to Directors' Report.

The Company has 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 ending 31st March, 2007 is as under:

Name of the	Tenure	Category of Directorship	No. of Other Directorship	No. of Committee Membership	
				Chairman	Member
Dr. R.P. Singh, CMD	Till date	'Executive Director'	Four	Nil	Nil
Shri. U.C. Misra, Director (Personnel)	Ceased to be Director on 25.01.07*	'Executive Director'	Nil	One	One
Shri J. Haque, Director (Operations)	Ceased to be Director on 31.01.07**	'Executive Director'	Two	Nil	Nil
Shri S. Majumdar, Director (Projects)	Till date	'Executive Director'	Nil	Nil	Nil
Shri J. Sridharan, Director (Finance)	Till date	'Executive Director'	Three	Nil	Two
Shri. M. Sahoo, JS&FA, Ministry of Power	Ceased to be Director on 29.06.07***	'Non-Executive Director'	Twelve	Three	Four
Shri G.B. Pradhan, Jt. Secy., Ministry of Power	Till date	'Non-Executive Director'	One	Nil	Two

- * Shri U.C. Misra, Director (Personnel) on his appointment as the Chairman of Bhakra Beas Management Board (BBMB), relinquished the post of Director (Personnel) w.e.f. 25.01.2007
- ** Shri J. Haque, Director (Operations) superannuated on 31.01.2007.
- *** As per Ministry of Power's Order No. 13/07 dt. 03.07.07 read with Article 31(c) (iv) of the Articles of Association of POWERGRID, Shri M. Sahoo, Joint Secretary & Financial Advisor, Ministry of Power retired from the post of Director of POWERGRID w.e.f. 29th June, 2007 as he was relieved from Ministry of Power.

After the close of the Financial Year, Ministry of Power vide their O.M. No. 1/38/96-PG dated 10th July, 2007 appointed five Non-executive Independent Directors on the Board of the Company. The particulars of the five Non-executive Independent Directors are as under:

Name of the	Tenure	Category of Directorship	No. of Other Directorship	No. of Committee Membership	
				Chairman	Member
Dr. P. K. Shetty	Three years from the date of appointment i.e. 10.07.2007 or until further orders, whichever event occurs the earlier.	Non-official Part-time Director	Nil	Nil	Nil
Dr. M. S. Kapur	Three years from the date of appointment i.e. 10.07.2007 or until further orders, whichever event occurs the earlier.	Non-official Part-time Director	Nil	Nil	Nil
Prof. A. S. Narag	Three years from the date of appointment i.e. 10.07.2007 or until further orders, whichever event occurs the earlier.	Non-official Part-time Director	Nil	Nil	Nil
Shri Anil Kumar Agarwal	Three years from the date of appointment i.e. 10.07.2007 or until further orders, whichever event occurs the earlier.	Non-official Part-time Director	Five	Nil	Two
Shri F. A. Vandrevala	Three years from the date of appointment i.e. 10.07.2007 or until further orders, whichever event occurs the earlier.	Non-official Part-time Director	Three	One	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'.
'Non-official Part-time Director' means 'Independent Director' }

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, 2007, thirteen Board meetings were held on 1st May, 9th May, 13th June, 5th July, 3rd August, 21st September, 11th October, 23rd November of the year 2006 and 4th January, 25th January, 14th February, 27th February and 28th March of the year 2007.



Attendance:

Name	Board Meetings during tenure		Attendance at the last AGM (Held on 03.08.06)
	Held	Attended	
Dr. R. P. Singh, CMD	13	13	Yes
Shri. S. Majumdar, Director (Projects)	13	13	Yes
Shri J. Sridharan, Director (Finance)	13	13	Yes
Shri G.B. Pradhan, MOP	13	13	Yes
Shri J. Haque, Director (Operations)*	10	9	Yes
Shri U.C. Misra, Director (Personnel)**	10	9	Yes
Shri M. Sahoo, JS&FA, MOP	13	13	Yes

* Shri U.C. Misra, Director (Personnel) on his appointment as the Chairman of Bhakra Beas Management Board (BBMB), relinquished the post of Director (Personnel) w.e.f. 25.01.2007.

** Shri J. Haque, Director (Operations) superannuated on 31.01.2007.

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 2006-07 is as under:

S No.	Directors	Designation	Remuneration (In Lacs)
1.	Dr. R. P. Singh	Chairman & Managing Director	9.97
2.	Shri S. Majumdar	Director (Projects)	10.61
3.	Shri J. Sridharan	Director (Finance)	8.14
4.	Shri U.C. Misra*	Director (Personnel)	8.98
5.	Shri J. Haque*	Director (Operations)	32.63

* For part of the year

The part-time Government nominees on POWERGRID Board do not draw any remuneration/ sitting fee for Board/ Committee meetings from the company. The Non-executive Independent Directors are being paid sitting fee of Rs.10,000/- for attending Board/Committee Meetings.

Audit Committee:

We have constituted an Audit Committee on January 27, 1999. During the year ending 31st March,2007, the Audit Committee comprised the following Directors:

- (i) Mr. S. Majumdar, Chairman
- (ii) Mr. M. Sahoo, Member
- (iii) Mr. G.B. Pradhan, Member

On the appointment of five Non-official Part-time Director (Independent Directors) the 'Audit Committee' was re-constituted as under:

- (i) Shri F. A. Vandrevalla, Non-official Part-time Director - Chairman of the Committee.
- (ii) Shri Rajesh Verma, JS & FA, MoP, and
- (iii) Shri Anil K. Agarwal, Non-official Part-time Director.

II. Meeting of Audit Committee

The Audit Committee meets at least four times in a year. The quorum of Committee is either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

The Company Secretary is the Secretary to the Audit Committee.

III. Powers of Audit Committee

The Audit Committee have powers which include the following:

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

IV. Role of Audit Committee

The role of the audit committee includes the following:

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

V. Review of information by Audit Committee

The Audit Committee generally reviews the following information:

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

Composition of Audit Committee during the F.Y. 2006-07:

Shri S. Majumdar, Director (Projects)*	Chairman	Executive Director
Shri M. Sahoo, JS&FA, MOP	Member	Non-Executive Director
Shri G.B. Pradhan, MOP	Member	Non-Executive Director
Shri. U.C. Misra, Director (Personnel)*	Chairman	Executive Director

* Shri U. C. Misra relinquished the post of Director w.e.f. 25.01.2007 and therefore Shri S. Majumdar, Director (Operations) has appointed as Chairman of the Audit Committee.

Attendance:

During the financial year ended, 31st March, 2007, seven meetings of the Audit committee were held on 1st May, 13th June, 3rd August, 21st September, 23rd November of the year 2006 and 27th February and 28th March of the year 2007.

Attendance at Audit Committee Meetings during the Financial Year 2006-07:

Name	Audit Committee Meeting held during the tenure	
	Held	Attended
Shri S. Majumdar, Director (Projects)*	2	2
Shri M. Sahoo, JS&FA, MOP	7	7
Shri G.B. Pradhan, MOP	7	7
Shri. U.C. Misra, Director (Personnel)**	5	4

* Shri S. Majumdar, Director (Projects) was appointed as member of the Audit Committee in the 198th Board Meeting held on 14th February, 2007.

** Shri U.C. Misra, Director (Personnel) on his appointment as the Chairman of Bhakra Beas Management Board (BBMB), relinquished the post of Director (Personnel) w.e.f. 25.01.2007.

The Company has also constituted a Shareholders/Investors Grievance committee.

Code of Conduct for Directors and Senior Management is under preparation and is expected to be approved by the Board soon.

General Body Meetings:

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

Year	Date	Time	Venue
2003-2004	28 th September, 2004	1.00p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-110016.
2004-2005	16 th September, 2005	4.15p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-110016.
2005-2006	3 rd August, 2006	3.00p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-110016.

Date of payment of Dividend for the Financial Year 2005-2006:

23rd August, 2006.

Listing:-

The Bonds of the Company are listed with:

National Stock Exchange of India Limited.

Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex Bandra (E), Mumbai - 400 051.

Registrar and Transfer Agents.

MCS Limited,

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

Karvy Computershare Pvt. Ltd., Plot No. -17, to 24, Vithalrao Nagar, Madhapur, Hyderabad – 500 081 has been appointed as Registrar and Transfer Agent for the Public Offering of POWERGRID.

Bonds in Electronic Form:

The Company has entered into Tripartite Agreement with NSDL and CDSL for Allotment of Bonds in electronic form. All the existing Bond-holders also have the option of holding their Securities in electronic form.

Bondholders holding Bonds in electronic form may please note that:

- Instructions regarding change of address, nomination and Power of Attorney should be given directly to the DP.
- 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:

- 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.
- 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.



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

1. I 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, 2007, as stipulated in Clause 2.18 of the Model Listing Agreement (in respect of Debt Securities - Privately Placed) of the said Company with the National Stock Exchange (hereinafter referred to as 'the Agreement').
2. The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In my opinion and based on my review and to the best of my information and explanations given to me, I certify that the Company has complied to the extent practicable with the conditions of Corporate Governance as stipulated in Clause 2.18 of the Model Listing Agreement (in respect of Debt Securities-Privately Placed) even though at present these are recommendatory only.

Subsequent to the close of the financial year the Composition of Board and Audit Committee, has been changed to comply with the requirements set out in the aforesaid model listing agreement. Accordingly presently the Board comprises of ten Directors, five Executive Directors and five Non-executive Independent directors. A Shareholders/Investors Grievance Committee has also been constituted. Code of Conduct for Directors and Senior Management is under preparation and are expected to be approved by the Board soon.

4. I state that no investor grievance remained unattended for more than 30 days, during the year ended on 31.03.2007.
5. I further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place : New Delhi
Dated : 14th August, 2007

Sd/-
(T. V. NARAYANASWAMY)
COMPANY SECRETARY

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

(Rupees in crore)

	For the year ended 31st March, 2007	For the year ended 31st March, 2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	1482.00	1168.99
Adjustment for :		
Depreciation (including prior period)	822.71	745.04
Transfer from Grants in Aid	-21.57	-17.26
Adjustment against General Reserve	-32.67	0.00
Amortised Expenditure(DRE written off)	8.19	8.87
Provisions	0.31	-66.24
Self Insurance	0.00	-0.87
Interest paid on loans	1140.42	947.45
Interest earned on bonds	-173.24	-220.48
Dividend received	-1.20	-0.96
Operating profit before Working Capital Changes	3224.95	2564.54
Adjustment for :		
Trade and other Receivables	214.78	354.82
Inventories	-3.89	4.03
Trade payables and other liabilities	999.60	840.32
Other current assets	8.41	-20.59
Loans and Advances	26.54	27.75
Deferred Revenue Expenditure	-0.32	0.09
	1245.12	1206.42
Direct taxes paid (including FBT)	-124.54	-84.16
Net Cash from operating activities	4345.53	3686.80
B. CASH FLOW FROM INVESTING ACTIVITIES		
Fixed assets	-109.98	-3.16
Capital work in progress	-6445.63	-3037.16
Advance for Capital expenditure	-604.94	-1301.95
Investments in Bonds and others	196.00	-146.74
Investments in Joint Ventures and Subsidiaries	-23.59	-110.25
Lease Receivables	77.94	-225.00
Interest earned on bonds	173.24	220.48
Dividend received	1.20	0.96
Net cash used in investing activities	-6735.76	-4602.82
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	202.78	419.38
Receipt of Grant	13.06	0.00
Loans raised during the year	5938.53	3608.97
Loans repaid during the year	-1639.16	-1970.88
Interest Paid	-1140.42	-947.45
Dividend paid	-330.45	-183.23
Dividend Tax paid	-46.34	-25.69
Net Cash from Financing Activities	2998.00	901.10
D. Net change in Cash and Cash equivalents(A+B+C)	607.77	-14.92
E. Cash and Cash equivalents(Opening balance)	589.05	603.97
F. Cash and Cash equivalents(Closing balance)	1196.82	589.05

Note: cash and cash equivalents consist of cash in hand and balance with banks and it includes Rs. 23.47 crore not available for use by the Company.

For and on behalf of the Board

(Divya Tandon)
Company Secretary

(J. Sridharan)
Director (Finance)

(Dr.R.P.Singh)
Chairman & Managing Director

As per our report of even date

For O.P. Bagla & Co.
Chartered Accountants

For B.M. Chatrath & Co.
Chartered Accountants

For Nataraja Iyer & Co.
Chartered Accountants

(Rakesh Kumar)
Partner

(P.R.Paul)
Partner

(E.S. Ranganath)
Partner

Place: New Delhi.

Date: 16th May, 2007.

Annual Report of



Subsidiary





Parbati Koldam Transmission Company Limited



**ACCOUNTS FOR THE PERIOD
FROM 1ST APRIL, 2006 TO 31ST MARCH, 2007.**

Registered Office :
B-9, Qutab Institutional Area,
Katwaria Sarai
New Delhi - 110016.



PARBATI KOLDAM 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 fifth Directors' Report of PARBATI KOLDAM TRANSMISSION COMPANY LIMITED together with the audited Statement of Accounts for the financial year 2006-07.

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 which 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 on JV route for which detailed agreements are to be executed.

Board of Directors

S/Shri J. Sridharan, Director (Finance) POWERGRID, Anand Mohan, Executive Director POWERGRID and Ashwani Jain, General Manager, POWERGRID, were the Directors of the Company during the year 2006-07.

Auditors

M/s. Anil Khandelwal & Associates, Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the company for the year 2006-07.

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 Auditor on the Accounts of the Company and as such C & AG has no comments under Section 619(4) of the Companies Act, 1956.

Directors' Responsibility Statement

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

- i) that in the preparation of the annual accounts for the year ended 31st March, 2007 the applicable accounting standards had been followed;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss of the Company for the year under review;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared accounts for year ended 31st March, 2007 on a going concern basis.



Particulars of Employees

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

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

Since no commercial activity was carried out by the Company, furnishing of information 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 and the Auditor of the Company.

For and on behalf of
**PARBATI KOLDAM TRANSMISSION
COMPANY LIMITED.**

Date:14.08.2007
Place: New Delhi

Sd/-
(J. Sridharan)
Chairman

PARBATI KOLDAM TRANSMISSION COMPANY LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2007

(Amount in Rs.)

	Schedule Reference	As at 31st March, 2007	As at 31st March, 2006
SOURCES OF FUNDS			
1. Shareholders' Funds			
Share Capital	1	500,000	500,000
TOTAL		500,000	500,000
APPLICATION OF FUNDS			
2. Current Assets, Loans and Advances			
Current Assets			
Cash & Bank Balances	2	477,503	488,795
3. Less : Current Liabilities & Provisions			
Current Liabilities	3	80,371	70,201
4. Net Current Assets		397,132	418,594
5. Miscellaneous Expenditure (To the extent not written off or adjusted)	4	102,868	81,406
TOTAL		500,000	500,000
Significant Accounting Policies and Notes forming part of Accounts (Schedule 1 to 5 form integral part of Accounts) As per our report of even date	5		

For **Anil Khandelwal & Associates**
Chartered Accountants

For and on behalf of Board of Directors

(Anil Khandelwal)
Partner

(J. Sridharan)
Director

(Ashwani Jain)
Director

Place : New Delhi

Date : 1st June, 2007

PARBATI KOLDAM TRANSMISSION COMPANY LIMITED

SCHEDULES - FORMING PART OF ACCOUNTS

(Amount in Rs.)

	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE '1'		
SHARE CAPITAL		
Authorised		
50,000 equity shares of Rs. 10/- each	<u>500,000</u>	<u>500,000</u>
Issued, Subscribed & Paid-up		
50,000 equity shares of Rs. 10/- each fully paid up.	<u>500,000</u>	<u>500,000</u>
	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE '2'		
Cash & Bank Balances		
Balance with Scheduled Bank- in Current Account	<u>477,503</u>	<u>488,795</u>
	<u>477,503</u>	<u>488,795</u>
	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE '3'		
Current Liabilities		
a. Power Grid Corp. of India Ltd.	69,135	58,977
b. Audit Fees	<u>11,236</u>	<u>11,224</u>
	<u>80,371</u>	<u>70,201</u>
	<u>80,371</u>	<u>70,201</u>
	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE '4'		
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
a. Preliminary Expenses	26,700	26,700
b. Pre-operative Expenses		
Balance as at Beginning of the Year	54,706	34,485
Allocation during the Year	<u>21,462</u>	<u>20,221</u>
	<u>76,168</u>	<u>54,706</u>
	<u>102,868</u>	<u>81,406</u>

PARBATI KOLDAM 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 is governed by the Electricity Act, 2003 and that the said Act read with rules framed there-under have prevailed wherever the same were inconsistent with the Companies Act, 1956.
2. The certificate of commencement of business has not been obtained so far. As there were no commercial activities during the year, no profit and loss account has been prepared.
3. 49,994 equity shares of Rs. 10/- each are held by the holding company, Power Grid Corporation of India Ltd. Balance 6 shares are held in the name of the officers of POWERGRID as its nominees.
4. The expenditure incurred during the year Rs. 21,462/- has been allocated to Pre-operative Expenditure shown under the head "Misc. Expenditure". The detail of expenditure incurred during the year is given below:

Particulars	As at 31st March, 07	As at 31st March, 06
Printing & Stationary Exp.	1140	-
Bank Charges	68	185
Filing Fees	600	2200
Professional Charges/Fees	-	6612
Payments to St. Auditors - Audit Fee	11236	11224
Payments to St. Auditors - Other Capacity	8418	-
Total	21462	20221

5. There are no contingent liabilities.
6. a. All figures have been rounded off to the nearest rupee.
b. Previous year's figures have been regrouped/rearranged wherever necessary.

Signatures to Schedules '1' to '5'

As per our Report of even date

For **Anil Khandelwal & Associates**
Chartered Accountants

For and on behalf of Board of Directors

(Anil Khandelwal)
Partner

(J. Sridharan)
Director

(Ashwani Jain)
Director

Place : New Delhi.

Date : 1st June, 2007

PARBATI KOLDAM TRANSMISSION COMPANY LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details			
Registration No. U40108DL2002GOI116786		State Code	: 055
Balance Sheet Date	31	3	07
	DATE	MONTH	YEAR
II. Capital Raised during the year (Amount in Rs. Thousands)			
Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL
III. Position of Mobilization and Deployment of funds (Amount in Rs. Thousands)			
Total Liabilities	580	Total Assets	580
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	397	Misc. Expenditure	103
Accumulated Losses	NIL		
IV. Performance of Company (Amount in Rs. Thousands)			
Turnover	NIL	Total Expenditure	NIL
Profit/Loss before Tax	NIL	Profit/Loss after Tax	NIL
Earning per Share in Rs.	NIL	Dividend Rate %	NIL
V. Generic Name of three principal Product/Services of Company (As per monetary terms)			
Item Code No.	NOT APPLICABLE		
(ITC) Code			
Product Description	N.A.		

As per our separate Report of even date

For **Anil Khandelwal & Associates**
Chartered Accountants

For and on behalf of Board of Directors

(Anil Khandelwal)
Partner

(J. Sridharan)
Director

(Ashwani Jain)
Director

Place : New Delhi.

Date : 1st June, 2007

AUDITOR'S REPORT

To,
**The Members,
Parbati Koldam Transmission Company Limited**

We have audited the attached Balance Sheet of Parbati Koldam Transmission Company Ltd. as at 31st March 2007. 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet is in agreement with the books of account;
 - d. In our opinion, the said Balance Sheet has been prepared in Compliance with the accounting standards as prescribed under the provisions of Section 211 (3C) of the Act to the extent applicable;
 - e. In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with the Significant Accounting Policies and Notes Forming part of Accounts in Schedule 5 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

In the case of the Balance Sheet, of the state of the Company's affairs as at 31st March, 2007.

For **Anil Khandelwal & Associates**
Chartered Accountants

(**Anil Khandelwal**)
Partner
M.No. : 87372

Place : New Delhi
Dated : 1st June, 2007

ANNEXURE TO THE AUDITOR'S REPORT

Annexure referred to in Auditor's report of even date on the accounts of Parbati Koldam Transmission Company Ltd. for the year ended 31st March, 2007

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. There exist adequate internal control procedures commensurate with the size of the Company and the nature of its business.
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 amounts 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, 2007 for a period of more than six months from the date they become payable.
10. Since, the company is less than 5 years old, this clause does not apply.
11. Since, the company does not have any borrowings, this clause does not apply.
12. Since, the company has not granted any loans or advances, this clause does not apply.
13. This clause does not apply to the company.
14. Since, the Company has not made any transactions 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. No fraud has been noticed or reported during the year.

For **Anil Khandelwal & Associates**
Chartered Accountants

(Anil Khandelwal)
Partner
M.No. :87372

Place : New Delhi
Dated : 1st June, 2007



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF PARBATI KOLDAM TRANSMISSION COMPANY LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2007.

The preparation of financial statements of Parbati Koldam Transmission Company Limited, New Delhi for the year ended 31st March 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 01.6.2007.

I, on the behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors' on the accounts of Parbati Koldam Transmission Company Limited, New Delhi for the year ended 31st March 2007 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

(Meera Swarup)

Principal Director of Commercial Audit and
ex-officio-Member Audit Board-III
New Delhi

Place : New Delhi
Dated : 13 June 2007



Byrnihat Transmission Company Limited



**ACCOUNTS FOR THE PERIOD
FROM 23RD MARCH, 2006 TO 31ST MARCH, 2007.**

Registered Office :
B-9, Qutab Institutional Area,
Katwaria Sarai.
New Delhi - 110016

BYRNIHAT TRANSMISSION COMPANY LIMITED

DIRECTORS' REPORT

To,

The Members,

I, on behalf of the Board of Directors, present the First Directors' Report of BYRNIHAT TRANSMISSION COMPANY LIMITED together with the audited Statement of Accounts for the financial year 2006-07.

Your Company had been incorporated on 23rd March, 2006 as a Project specific 'SHELL COMPANY' to take up the implementation of Misa Byrnihat Transmission Line on JV Route.

The incorporation of the Company was in deference to the Meeting Chaired by Secretary (Power) held on 23.08.05 in MoP wherein it was decided that the Misa – Byrnihat Transmission Project (the transmission link to Meghalaya) would be implemented through formation of a Joint Venture Company between POWERGRID and Meghalaya State Electricity Board (MeSEB) with POWERGRID as 89% equity partner and MeSEB as 11% equity partner. Presently Byrnihat Transmission Company Limited is not undertaking any business activity.

Directors

In terms of Article 112 of the Articles of Association of the Company Dr. R.P. Singh, Shri J.Sridharan, Shri Arvind Manglik and Shri I.S. Jha were the first Directors of the Company.

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 Auditor on the Accounts of the Company and as such C & AG has no comments under Section 619(4) of the Companies Act, 1956.

Auditors

M/s N.K.S. Chauhan & Associates, Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the Company for the year 2006-2007.

Directors' Responsibility Statement

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

- i) That in the preparation of the annual accounts for the year ended 31st March, 2007 the applicable accounting standards had been followed;
- ii) That the Directors had selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss of the Company for the year under review;



iii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv) That the Directors have prepared accounts for year ended 31st March, 2007 on a going concern basis

Particulars of Employees

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

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

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

Acknowledgement

The Board extends its sincere thanks to POWERGRID and Auditor of the Company.

For and on behalf of BYRNIHAT TRANSMISSION COMPANY LIMITED.

Sd/-

(Dr. R. P. Singh)

Chairman

Date :14.08.2007

Place: New Delhi



BYRNIHAT TRANSMISSION COMPANY LIMITED

BALANCE SHEET AS AT 31st MARCH, 2007

(Amount in Rs.)

	Schedule Reference		As at 31st March, 2007
SOURCES OF FUNDS			
1. Shareholders' Funds			
Share Capital	1		500,000
TOTAL			500,000
APPLICATION OF FUNDS			
2. Current Assets, Loans and Advances			
Current Assets			
Cash & Bank Balances	2	499,200	
3. Less : Current Liabilities & Provisions			
Current Liabilities	3	53,709	
4. Net Current Assets			445,491
5. Miscellaneous Expenditure	4		54,509
(To the extent not written off or adjusted)			
TOTAL			500,000
Significant Accounting Policies and Notes forming part of Accounts	5		

(Schedule 1 to 5 form integral part of Accounts)

As per our report of even date

For **N.K.S. Chauhan & Associates**
Chartered Accountants

(N.K.S. Chauhan)
Partner

For and on behalf of Board of Directors

(J. Sridharan)
Director

(Arvind Manglik)
Director

Place : New Delhi
Date : 17th April, 2007

BYRNIHAT TRANSMISSION COMPANY LIMITED

SCHEDULES - FORMING PART OF ACCOUNTS

(Amount in Rs.)

As at 31st
March, 2007

SCHEDULE '1'

SHARE CAPITAL

Authorised

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

500,000

Issued, Subscribed & Paid-up

50,000 equity shares of Rs. 10/- each fully paid up.

500,000

(Amount in Rs.)

As at 31st
March, 2007

SCHEDULE '2'

CASH & BANK BALANCES

Balance with Scheduled Bank-
in Current Account

499,200

499,200

(Amount in Rs.)

As at 31st
March, 2007

SCHEDULE '3'

CURRENT LIABILITIES

a. Power Grid Corp. of India Ltd.

41,973

b. Statutory Audit Fees

11,236

c. Other Liabilities

500

53,709

53,709

(Amount in Rs.)

As at 31st
March, 2007

SCHEDULE '4'

MISCELLANEOUS EXPENDITURE

(to the extent not written off or adjusted)

a. Preliminary Expenses

33,555

b. Pre-operative Exp.

20,954

Allocation during the year

54,509

BYRNIHAT 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 23rd March, 2006 and certificate of commencement of business has not been obtained so far. As there were no commercial activities during the year, no profit and loss account has been prepared.
2. The Company is governed by the Electricity Act, 2003 and that the said Act read with rules framed there-under have prevailed wherever the same were inconsistent with the Companies Act, 1956.
3. 49,994 equity shares of Rs. 10/- each are held by the holding company, Power Grid Corporation of India Ltd. Balance 6 shares are held in the name of the officers of POWERGRID as its nominees.
4. Following Expenses incurred during the period have been shown under Miscellaneous Expenditure in the Balance Sheet :

(Amount in Rs.)

Particulars	As at 31 st March,07
Preliminary Expenses incurred for incorporation of the company	33555
Bank Charges	800
Provision for Stamp Duty	500
Payments to St. Auditors -Audit Fee(Period from 23 rd March,2006 to 31 st March, 2007)	11236
Payments to St. Auditors – Other Capacity	8418
Total	54509

5. There are no contingent liabilities.
6. Since these accounts are for the first accounting year of the Company, no comparative figures for previous year are given.
7. All figures have been rounded off to the nearest rupee.

Signatures to Schedules '1' to '5'

As per our Report of even date

For **N.K.S. Chauhan & Associates**
Chartered Accountants

(N.K.S. Chauhan)
Partner

For and on behalf of Board of Directors

(J. Sridharan)
Director

(Arvind Manglik)
Director

Place : New Delhi.
Date : 17th April, 2007

BYRNIHAT TRANSMISSION COMPANY LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. U40102DL2006GOI147937

State Code : 055

Balance Sheet Date	31	03	2007
	DATE	MONTH	YEAR

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

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

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

Total Liabilities	553	Total Assets	553
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	445	Miscellaneous Expenditure	55
Accumulated Losses	NIL		

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

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

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

Item Code No.	N.A.
(ITC) Code	
Product Description	N.A.

As per our separate report of even date

For **N.K.S. Chauhan & Associates**
Chartered Accountants

For and on behalf of Board of Directors

(N.K.S. Chauhan)
Partner

(J. Sridharan)
Director

(Arvind Manglik)
Director

Place : New Delhi.
Date : 17th April, 2007



AUDITOR'S REPORT

To
The Members,
Byrnihat Transmission Company Limited

We have audited the attached Balance Sheet of Byrnihat Transmission Company Limited as at 31st March, 2007. 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet is in agreement with the books of account;
 - d. In our opinion, the said Balance Sheet has been prepared in Compliance with the accounting standards as prescribed under the provisions of Section 211 (3C) of the Act to the extent applicable;
 - e. In our opinion and to the best of our information and according to the explanations given to us the said accounts read together with the Significant Accounting Policies and Notes Forming part of Accounts in Schedule 5 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.

In the case of the Balance Sheet, of the state of the Company's affairs as at 31st March, 2007.

For **N. K. S. Chauhan & Associates**
Chartered Accountants

Place : New Delhi.
Date : 17th April, 2007

(N.K.S. Chauhan)
Partner
M.No. : 88165

ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in Auditors' report of even date on the accounts of Byrnihat Transmission Company Limited for the year ended 31st March, 2007

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. There exist adequate internal control procedures commensurate with the size of the Company and the nature of its business.
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 amounts 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, 2007 for a period of more than six months from the date they become payable.
10. Since, the company is less than 5 years old, this clause does not apply.
11. Since, the company does not have any borrowings, this clause does not apply.
12. Since, the company has not granted any loans or advances, this clause does not apply.
13. This clause does not apply to the company.
14. Since, the Company has not made any transactions 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. No fraud has been noticed or reported during the year.

For **N. K. S. Chauhan & Associates**
Chartered Accountants

(N.K.S. Chauhan)
Partner
M.No. : 88165

Place : New Delhi.
Date : 17th April, 2007



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF BYRNIHAT TRANSMISSION COMPANY LIMITED, NEW DELHI FOR THE PERIOD ENDED 31 MARCH, 2007.

The preparation of financial statements of Byrnihat Transmission Company Limited, New Delhi for the period ended 31 March, 2007 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 17.04.2007.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of the Statutory Auditors' on the accounts of Byrnihat Transmission Company Limited, New Delhi for the period ended 31 March 2007 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

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

(Meera Swarup)

Principal Director of Commercial Audit and
ex-officio-Member Audit Board-III
New Delhi

Place : New Delhi
Dated : 13 June 2007



पावरग्रिड

POWER GRID CORPORATION OF INDIA LIMITED

(A Government of India Enterprise)

Corporate Office : 'Saudamini', Plot No. 2, Sector 29, Gurgaon (Haryana) - 122001
Registered Office : B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi - 110 016
Website : www.powergridindia.com