

# ANNUAL REPORT 2007-08



A NAVRATNA PSE



पावरग्रिड

**POWER GRID CORPORATION OF INDIA LIMITED**  
(A Government of India Enterprise)





# *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 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 Governments;
  - (iv) Generating Companies;
  - (v) Regional Electricity Boards;
  - (vi) Authority;
  - (vii) 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.
  - Establishment and operate all Regional Load Despatch Centres and Communication facilities.
- To facilitate private sector participation in transmission system through Independent Private Transmission Company, Joint Ventures.
- To assist various SEBs and other utilities in upgradation of skills & sharing of expertise by organising regular conferences, tailor-made training workshops directed towards specific technological and O&M areas and extending laboratory facilities for testing purposes etc.
- Restoring power in quickest possible time in the event of any natural disasters like super-cyclone, flood etc. through deployment of Emergency Restoration Systems.
- To provide consultancy services at national and international levels in transmission sector based on the in-house expertise developed by the organisation.
- To participate in long distance Trunk Telecommunication business ventures.





## Powertel

Touching lives everywhere

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



- Established Broadband Telecom Network of 20,000 kms
  - connecting over 100 cities on extensively spread Transmission Infrastructure.
  - Only utility in the country having overhead optic fibre on its Extra
  - High Voltage Transmission Network.
  - POWERGRID Telecom Network
    - Sturdy & Secure
    - Free from rodent menace and vandalism.
  - Network has multiple self resilient rings for complete redundancy in backbone as well as intra-city access networks.
- To offer Total Solutions and to meet specific needs of the customers.
- Reliability of Telecom Network 99.99%.
  - Bandwidth capacity available on all the metros & major cities.
    - Delhi, Mumbai, Chennai, Kolkata,
    - Jammu, Jalandhar, Shimla, Guwahati, Shillong, Imphal, Kohima, Hyderabad, Bangalore, Cochin, Ahmedabad, Indore etc.
  - Extend telecom network to serve uneconomic and backward areas for the benefit of the common man.
  - Plan to extend network to neighbouring countries for terrestrial SAARC Telecom Grid.

- Possesses National Long Distance (NLD), Internet Service Provider (ISP) Category -A and Infrastructure Provider Category-I (IP-I) Licenses to provide Telecom services in the country.
- Plan to Introduce other Value Added Services.
  - Video Conferencing
  - Virtual Local Area Network (VLANs)
  - Multi Protocol Label Switching (MPLS) based on VPNs Data Centres.
  - Voice Over Internet Protocol (VOIP)







## REFERENCE INFORMATION

### 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)

### Registrar & Share Transfer Agent

Karvy Computershare Private Limited  
Plot No.: 17 to 24, Vittalrao Nagar,  
Madhapur, Hyderabad - 500 081  
Ph.: 040-23420815 to 824  
Fax : 040-23420814  
Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
Website: [www.karvycomputershare.com](http://www.karvycomputershare.com)

### Shares Listed at

National Stock Exchange of India Limited  
Bombay Stock Exchange Limited

### Depositories

National Securities Depository Limited  
Central Depository Services (India) Limited

### Company Secretary

Ms. Divya Tandon

### Statutory Auditors

#### A. R. & Co.

Chartered Accountants  
A-403, Gayatri Apartment, Airlines Group  
Housing Society, Plot No. 27, Sector-10  
Dwarka, New Delhi - 110 075

#### Umamaheswara Rao & Co.

Chartered Accountants  
Flat No. 5-H 'D' Block, 8-3-324,  
Krishna Apartments, Yellareddyguda Lane  
Ameerpet 'X' Roads, Hyderabad - 500 073

### S R I Associates

Chartered Accountants  
3-B, Garstin Place  
Kolkata - 700 001

### Bankers

Indian Overseas Bank  
ICICI Bank  
Union Bank of India  
Bank of Baroda  
State Bank of Hyderabad  
State Bank of India  
State Bank of Patiala  
Corporation Bank  
Canara Bank  
Dena Bank  
Punjab National Bank  
Indian Bank  
J & K Bank  
IDBI Bank  
HDFC Bank  
Allahabad Bank  
Bank of India





## DIRECTORS' PROFILE

### SHRI S. K. CHATURVEDI

#### Chairman & Managing Director

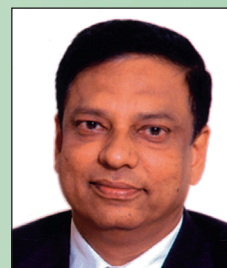


Shri S. K. Chaturvedi, aged 57 years, is the Chairman & Managing Director of our Company. He is a First Class First Graduate and Post Graduate in Science from University of Lucknow. He holds a Post Graduate Diploma in Personnel Management & IR and is a seasoned HR professional with varied experience of more than 30 years in the area of Human Resource Management, Industrial Relations and Organisational Development. He has also worked with Steel Authority of India Ltd., NTPC Ltd., POWERGRID (for more than thirteen years in POWERGRID from August 1991) in various capacities in HR and then joined NHPC Ltd. as Director (Personnel) in October, 2004. A strong votary of human development, Shri Chaturvedi has introduced several new concepts of employee development and was responsible for initiating several progressive HR policies in the organizations he has served. Shri Chaturvedi joined POWERGRID as Chairman & Managing Director on 01.08.2008.

### SHRI S. MAJUMDAR

#### Director (Projects)

Shri S. Majumdar, aged 59 years, is the Director (Projects) of our Company. He graduated with a Bachelor in Engineering degree from Calcutta University. He has 37 years of diverse work experience in the fields of corporate planning, distribution management services and contract services and materials. Prior to joining our Company in January 1991, he has worked in organisations such as National Thermal Power Corporation Limited, Damodar Valley Corporation, Calcutta Telephones, and Indo-German Prototype Development Training Centre. He was appointed as a Director on our Board in September 2005. He also held additional charge of Chairman & Managing Director of POWERGRID from 30.05.2008 to 31.07.2008.



### SHRI J. SRIDHARAN

#### Director (Finance)

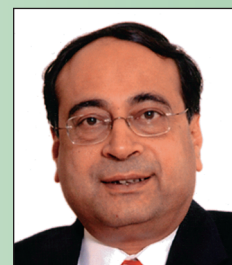


Shri J. Sridharan, aged 57 years, is the Director (Finance) of our Company. He graduated with a Bachelor of Commerce degree from Madras University. He is a member of Institute of Chartered Accountants of India and Institute of Cost and Works Accountants of India. He has 33 years of work experience primarily in the field of financial management. Prior to joining our Company in 2000, he has worked in organisations such as Airport Authority of India and Bharat Heavy Electricals Limited. He was appointed as a Director on our Board in December, 2005.

### SHRI G. B. PRADHAN

#### Govt. Nominee Director

Shri G. B. Pradhan, aged 55 years, is a government nominee Director of our Company. He graduated with a Master of Arts degree in History from Delhi University, master of Public Administration degree from the School of Public Administration, Carleton University, Ottawa and a master in military science degree from National Defence College, New Delhi and is an officer in the Indian Administrative Services since 1977. He is currently Additional Secretary in the MoP. He was appointed as a Director on our Board in November, 2003.







**SHRI RAJESH VERMA**  
**Govt. Nominee Director**



Shri Rajesh Verma, aged 43 years, is a government nominee Director of our Company. He holds a bachelor's degree in Technology (Electrical Engineering) from the Indian Institute of Technology, Delhi. He has been a part of the IAS since 1987 and is presently Joint Secretary and Financial Advisor to the MoP. He has also held the post of Director (Hydro) in the MoP where he was responsible for ensuring planning and investment approval of hydro-electric power projects in the Central Sector and formulation of policies for providing impetus to the development of hydro sector in the country. He has also served as the Joint Secretary, Department of Industries, Orissa, Executive Director of the Rajasthan Industrial and Investment Corporation and Managing Director of the Orissa Industrial Infrastructure Development Corporation. He was honoured by the Government of Rajasthan with the State Award for excellent performance in the field of public service. He is also holding the additional charge of Joint Secretary and Financial Advisor to the Ministry of Labour and Employment. He was appointed as a Director on our Board in August, 2007.

**DR. P. K. SHETTY**  
**Independent Director**

Dr. P. K. Shetty, aged 46 years, is an Independent Director of our Company. He graduated with a Master of Science degree from University of Agricultural Science, Dharwad, Karnataka and also holds a PhD from the Indian Agricultural Research Institute, New Delhi. He was the Head of the Environmental Studies Unit and also served as the Dean (Administration) at the National Institute of Advanced Studies, Bangalore. He is currently the Professor and Dean (School of Natural Sciences and Engineering) at National Institute of Advanced Studies, Bangalore; Director, Advanced Research Institute, Bangalore and is also the Honorary Chairman, MEDT Group of Institutions, Bangalore. He was appointed as a Director on our Board in July, 2007.



**DR. A. S. NARAG**  
**Independent Director**



Dr. A. S. Narag, aged 62 years, is an Independent Director of our Company. He graduated with a Master of Science degree and PhD from Delhi University and also holds an ITP Certificate from Graduate School of Business Administration, Harvard University. He has served as the Dean, Faculty of Management Studies, University of Delhi and has held various important positions in the University of Delhi. He is currently a professor at the Faculty of Management Studies, University of Delhi. He was appointed as a Director on our Board in July, 2007.

**SHRI ANIL K. AGARWAL**  
**Independent Director**

Shri Anil K. Agarwal, aged 53 years, is an Independent Director of our Company. He graduated with a Master of Commerce degree from University of Delhi and also holds a Post Graduate Diploma in Business Management from University of Delhi. He has been actively involved in Industry Associations, for development of International Trade and Investments and was the President of the Associated Chambers of Commerce and Industry of India (the 'ASSOCHAM'). He is currently the Chairman of the International Affairs of the ASSOCHAM and a Council Member of the Institute of Chartered Accountants of India. He was appointed as a Director on our Board in July, 2007.

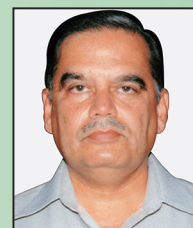


**SHRI F. A. VANDREVALA****Independent Director**

Shri F. A. Vandrevale, aged 57 years, is an Independent Director of our Company. He graduated with a Bachelor of Technology degree in Electrical Engineering from Indian Institute of Technology, Kharagpur and also holds a Post Graduate Diploma in Business Management from Xavier's Labour Relations Institute, Jamshedpur. He has over 34 years of work experience primarily in the field of Steel, Power and Telecom. He is currently the Chairman and Managing Director of Hirco Developments Private Limited. He was appointed as a Director on our Board in July, 2007.

**SHRI S. C. TRIPATHI****Independent Director**

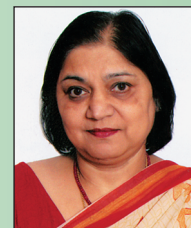
Shri S. C. Tripathi, aged 62 years, is an Independent Director of our Company. He holds a master's degree in Science (Physics – Spl. Electronics) from Allahabad University, LL.B, Diploma in Development (Cantab.), AIMA Diploma in Management. He joined the Indian Administrative Services in 1968 and retired as Secretary to the Government of India, Ministry of Petroleum and Natural Gas on 31.12.05. He has held important positions in Government both at the State and Central level. He spent nearly 20 years in Finance and Industry Sector at Chief Executive/Secretary level at State and Chief Executive/Jt. Secretary/Addl. Secretary/Secretary level at Central Govt. and in representative capacity at International levels. He was appointed as a Director on our Board in April, 2008.

**SHRI ASHOK KHANNA****Independent Director**

Shri Ashok Khanna, aged 60 years, is an Independent Director of our Company. He is a first class B.Tech. (Hons.) in textile from Bradford University (U.K.). He is Ex. President of PHD Chamber of Commerce and Industry (PHDCCI) and Founder Chairman of Confederation of Indian Industry (CII), Himachal Pradesh. He has been on the Managing Committee of Federation of Indian Chambers of Commerce and Industry (FICCI) and also remained Member/Director of various important organizations/associations. Presently, he is on the Managing Committee of Associated Chambers of Commerce and Industry of India (ASSOCHAM) and is Chairman-Internal Trade Committee of ASSOCHAM. He was appointed as Director on our Board in April, 2008.

**SMT. SARITA PRASAD****Independent Director**

Smt. Sarita Prasad (61) is an independent Director of our Company. She holds a Masters Degree in Economics from the Delhi School of Economics and Diploma in Development Administration from Birmingham University U.K. She joined the Indian Administrative Service in 1969 and retired as Secretary to Government of India, Ministry of Social Justice and Empowerment on 31.08.2006. She has held important postings in the Central and State Government. She was Managing Director of three State Corporations and Financial Commissioner, Irrigation and Water Supply in the State Government. In the Government of India she worked as Director in the Ministry of Defence and Joint Secretary in the Ministry of Personnel. She is a Director of our Board with effect from August, 2008.

**SHRI S. NANDKEOLYAR****Chief Vigilance Officer**

Shri S. Nandkeolyar, aged 51 years, belongs to the Indian Audit & Accounts Service (1982). During his service career he has had wide experience in the fields of Audit & Financial management, besides serving with distinction with Govt. of India as Under Secretary, Dy. Secretary and Director in Cabinet Secretariat and DOP&T. He has also conducted audit of Indian Embassies abroad and the United Nations. He has been appointed as Chief Vigilance Officer of POWERGRID on July, 2005.





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

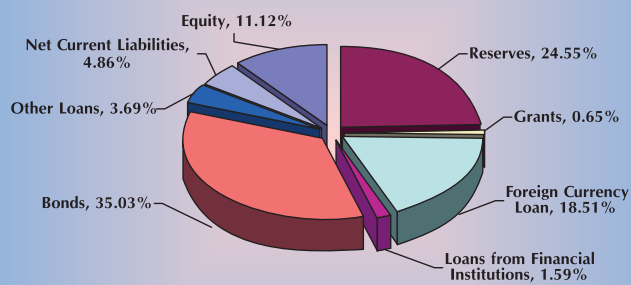
Sl	Name (S/Shri)	Designation
1	R.G.Yadav	ED (OS), CC
2	Umesh Chandra	ED (Commercial), CC
3	V.K. Prasher	ED (LD&C), CC
4	R.N. Nayak	ED (Engg & QA&I), CC
5	I.C. Jaiswal	ED (CP & ESMD), CC
6	V.M. Kaul	ED (PI & BDD), CC
7	Ganesh Singh	ED (DMS-Proj), CC
8	S.K. Soonee	ED (SO), CC
9	V. Mittal	ED (NLDC), CC
10	I.S. Jha	ED (CMG), CC
11	T.S.P. Rao	ED (Law), CC
12	Ravi P.Singh	ED (HR & Corp.Comm.), CC
13	R.P. Sasmal	ED (HVDC & DMS Engg), CC
14	R.T. Agarwal	ED (Fin), CC
15	Sachidanand Singh	ED (CS), CC
16	D. Chowdhury	ED (ER-II)
17	P.C. Pankaj	ED (NER)
18	Prabhakar Singh	ED (NR-I)
19	R.K. Vohra	ED (NR-II)
20	Anand Mohan	ED (SR-I)
21	D.G. Sohony	ED (SR-II)
22	D.K.Valecha	ED (WR-I)
23	A.K. Dutta	ED (WR-II)
24	J.P. Singh	GM(I/c) (ER-I)
25	Arun Kumar	GM(I/c) (DMS/ST/RE), ER-I
26	V K Agrawal	GM (NRLDC)
27	Dr L Hari	GM (ERLDC)
28	L K Kanungo	GM (NERLDC)
29	P.R. Raghuram	GM (SRLDC)
30	M.G. Raoot	GM (WRLDC)
On deputation to other Organizations		
1	R.B. Mishra	ED-On deputation to Jaypee POWERGRID
2	Anjan Roy	ED -On deputation to MSETCL

As on 07.08.2008

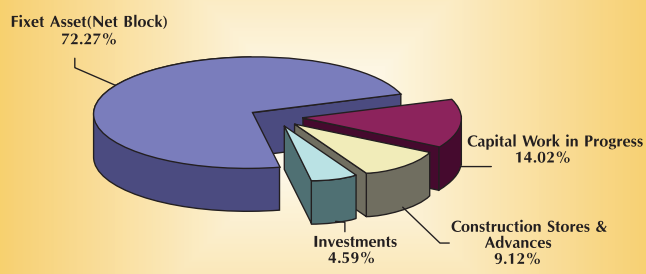


## POWERGRID'S PERFORMANCE

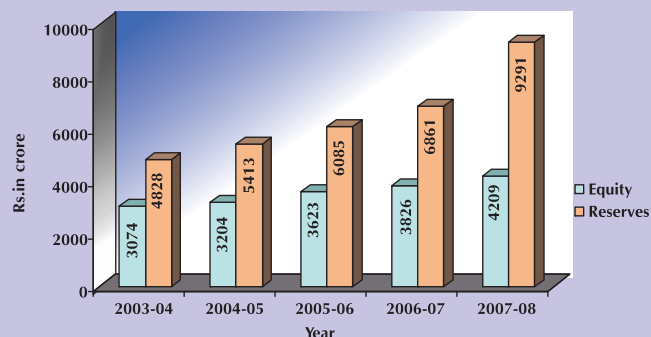
Sources of Funds (%) 2007-08



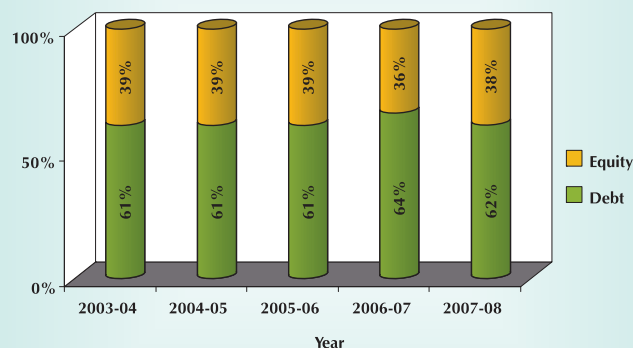
Application of Funds (%) 2007-2008



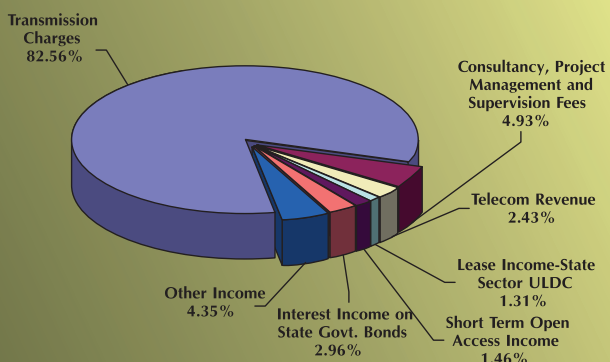
EQUITY AND RESERVES



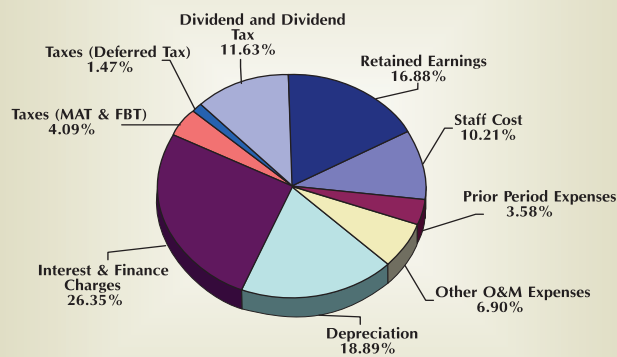
Debt Equity Ratio (%)



INCOME BREAK-UP (%) 2007-08



Distribution of Revenue - 2007-08







## FIVE YEAR SUMMARY

### OPERATING RESULTS

(Rs.in crore)

	2007-08	2006-07	2005-06	2004-05	2003-04
<b>(A) EARNED FROM :</b>					
Transmission Charges	<b>4188.52</b>	3248.00	2905.27	2296.83	2190.61
Consultancy & other income	<b>893.01</b>	849.15	649.04	534.45	615.14
Total Earnings	<b>5081.53</b>	4097.15	3554.31	2831.28	2805.75
<b>(B) PAID &amp; PROVIDED FOR :</b>					
Employees Remuneration & Benefits	<b>519.06</b>	338.88	256.81	227.18	235.29
Transmission Expenses	<b>171.55</b>	164.44	92.57	87.18	71.80
Administration Expenses	<b>162.42</b>	142.05	122.36	109.14	111.87
Other Expenses(Including Prior Period Adj.)	<b>189.51</b>	-9.15	80.17	-26.43	43.29
Deferred Revenue Expenditure	<b>5.43</b>	8.19	8.86	9.31	13.85
Provisions	<b>3.83</b>	2.74	132.77	65.58	17.98
Total Expenditure (Excluding Depraciation & Interest)	<b>1051.80</b>	647.15	693.54	471.96	494.08
Profit before Depreciation & Interest	<b>4029.73</b>	3450.00	2860.77	2359.32	2311.67
Depreciation	<b>959.65</b>	827.58	744.33	642.26	606.42
Interest & Finance Charges	<b>1339.55</b>	1140.42	947.45	808.69	990.96
Net Profit after Interest & Depreciation but before Tax	<b>1730.53</b>	1482.00	1168.99	908.37	714.29
Provision for tax (MAT)	<b>197.11</b>	134.09	83.16	64.81	16.64
Fringe Benefit Tax	<b>10.50</b>	8.72	7.74		
Net Profit after MAT and FBT	<b>1522.92</b>	1339.19	1078.09	843.56	697.65
Deferred Tax	<b>74.45</b>	109.82	69.16	58.04	-50.55
Profit after Deferred Tax	<b>1448.47</b>	1229.37	1008.93	785.52	748.20
Dividend	<b>505.08</b>	368.82	302.68	184.00	125.00



## FINANCIAL POSITION

	(Rs.in crore)				
	2007-08	2006-07	2005-06	2004-05	2003-04
<b>(A) WHAT THE COMPANY OWNED:</b>					
Gross Fixed Assets	35417.14	29014.63	24888.25	21930.56	19876.23
Less: Depreciation	8061.94	7198.56	6372.01	5635.04	4992.40
Net Fixed Assets	27355.20	21816.07	18516.24	16295.52	14883.83
Capital Work-in-Progress & Construction					
Stores & Advances	8758.09	9440.39	6400.86	5024.79	3876.06
Investments	1736.22	1967.00	2139.41	1882.42	1851.13
Current Assets ,Loans & Advances	5376.78	3509.72	2724.08	2611.27	2924.80
<b>TOTAL (A)</b>	<b>43226.29</b>	<b>36733.18</b>	<b>29780.59</b>	<b>25814.00</b>	<b>23535.82</b>
<b>(B) WHAT THE COMPANY OWED:</b>					
Borrowings From:					
-Govt. of India		49.53	59.34	66.53	72.11
-Financial Institutions	602.84	643.27	727.79	812.30	897.40
-Foreign Loans	7006.16	6135.66	5707.39	5507.53	5188.75
-Bonds	13257.81	10999.54	7133.28	5502.51	5058.12
-Other Loans	1396.67	1497.50	1398.33	1499.17	1050.00
<b>Total Loans</b>	<b>22263.48</b>	<b>19325.50</b>	<b>15026.13</b>	<b>13388.04</b>	<b>12266.38</b>
Current Liabilities & Provisions	5024.98	4835.16	3641.46	2574.04	2202.51
Deferred Tax Liability	493.78	419.33	309.51	240.35	182.31
Advance against Depreciation	1697.07	1201.17	822.23	610.33	395.33
<b>TOTAL (B)</b>	<b>29479.31</b>	<b>25781.16</b>	<b>19799.33</b>	<b>16812.76</b>	<b>15046.53</b>
<b>(C) NET WORTH OF THE COMPANY REPRESENTED BY :</b>					
i) Equity capital(including Deposit)	4208.84	3826.22	3623.44	3204.06	3074.06
ii) Free Reserves and Surplus	9298.53	6874.21	6105.59	5442.65	4867.49
iii) Less: Misc. Exp. to the extent not written off	7.19	12.86	20.73	29.69	39.00
<b>TOTAL (C)</b>	<b>13500.18</b>	<b>10687.57</b>	<b>9708.30</b>	<b>8617.02</b>	<b>7902.55</b>
<b>(D) COMMITTED RESERVES &amp; LIABILITIES</b>					
i) Capital Reserves				94.00	94.00
ii) Grants in Aid	246.80	264.45	272.96	290.22	297.51
iii) Development Surcharge Reserve					195.23
<b>TOTAL (D)</b>	<b>246.80</b>	<b>264.45</b>	<b>272.96</b>	<b>384.22</b>	<b>586.74</b>
<b>TOTAL (B+C+D)</b>	<b>43226.29</b>	<b>36733.18</b>	<b>29780.59</b>	<b>25814.00</b>	<b>23535.82</b>
<b>CAPITAL EMPLOYED</b>	<b>25516.15</b>	<b>18870.13</b>	<b>16467.12</b>	<b>15482.07</b>	<b>15028.48</b>
(Net Fixed Assets+Net Current Assets)					
<b>(E) RATIOS</b>					
Net Profit to Capital Employed(%)	5.68	6.51	6.13	5.07	4.98
Net Profit to Net Worth(%)	10.73	11.50	10.39	9.12	9.47
Net Worth per Rupee of Paid-up Capital (in Rs.)	3.21	2.79	2.68	2.69	2.57
Debt/Equity Ratio	62:38	64:36	61:39	61:39	61:39
Liquidity Ratio	0.75:1	0.54:1	0.57:1	0.76:1	1.05:1

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





# Chairman Speaks

at the 19<sup>th</sup> Annual General Meeting  
held at New Delhi on 18<sup>th</sup> September, 2008.

Ladies and Gentlemen,

On behalf of the Board of Directors, it is my privilege and pleasure to extend a warm welcome to all of you at the 19<sup>th</sup> Annual General Meeting of your Company.



It fills me with immense pleasure to address the Annual General Meeting of POWERGRID. It is a big challenge to lead a transmission utility at a time when the Indian economy is growing at more than 9% and commensurate growth is required for the power sector. I hope that I shall be able to provide the desired impetus and growth to meet the requirements of a rising economy and enhance the value of our shareholders.

Friends, for the period ending 31<sup>st</sup> March, 2008, the Directors' Report and the Audited Accounts of the Company have already been provided. With your permission, I take them as read.

The year 2007-08 has been another year of significant achievements for POWERGRID, bringing it in the forefront of country's progress path. The overwhelming response to the Company's IPO during the year is a testimony of your confidence in the Company and its growth prospects. On behalf of POWERGRID, I convey my sincere thanks to all the investors for their interest & trust.

You would be glad to know that the Company has been conferred 'Navratna' status by GoI in May, 2008, the highest honour for a Public Sector Enterprise. This reflects GoI's confidence in our capability and the ability to discharge enhanced responsibilities. This has provided a discerning fillip to the status of your Company.

The Company's performance during the year 2007-08 exceeded the performance parameters set for "Excellent" rating under Memorandum of Understanding (MoU) signed with GoI. You will be glad to know that POWERGRID is the only utility in Power Sector to have been chosen for the prestigious "**MoU Excellence Award**" for the year 2006-07, for being amongst the top ten Public Sector Enterprises by the Department of Public Enterprises, GoI. Besides, your Company has also bagged the "**National Awards for Meritorious Performance**" instituted by GoI, for the year 2006-07 for three of its projects.

## FINANCIAL PERFORMANCE

The year 2007-08 has been another year of impressive financial performance of your Company. Gross Turnover for the year grew by about 25% to **Rs. 5,082 Crore**. Similarly, Profit after Tax during the year increased to **Rs. 1,448 Crore** from Rs. 1,229 Crore in FY 2006-07, thereby **registering a growth of about 18%**.

It brings pride and pleasure when we pause to note that this enviable stature has been attained in only a decade and a half, since our humble beginning in the year 1992-93. Our total assets have grown about ten times to **Rs. 35,400 Crore**, proclaiming exponential growth during this period. Financial strength resulting from sustained performance of this order certainly constitutes the foundation to scale even greater heights in the years to come.

We made a capital investment of **Rs. 6,615 Crore** during the year for implementation of various transmission projects, which was arranged from domestic market, multilateral funding agencies like The World Bank (WB) and Asian Development Bank (ADB), and proceeds from IPO, besides cash generated from our operations.

## PROJECT IMPLEMENTATION

We successfully met our project implementation targets for the year and made available our transmission systems for evacuation of power from planned generation projects. We commissioned transmission projects worth about **Rs. 6,000**



**Crore** during the year, adding about 7,350 Circuit Kms, 9 numbers of EHV AC sub-stations and transformation capacity of more than 13,700 MVA to our transmission network. **This year, we also introduced next higher transmission voltage i.e 765 kV by commissioning and operating country's 1<sup>st</sup> 765 kV transmission line, namely Sipat-Seoni line, alongwith 765/ 400/ 220 kV Seoni Sub-station at 765 kV at its rated voltage, in October'07.** This is a major milestone in the process of gearing ourselves in meeting the future requirement.

### OPERATIONAL PERFORMANCE

The Company, with its alert and responsible task force and systems, has delivered unparallel operational discipline. Our gigantic transmission network of about **67,000 ckt. Km. of EHV AC & HVDC transmission lines** along with **111 sub-stations** having **transformation capacity of more than 73,000 MVA**, spread over the entire stretch of the country, was maintained at an availability of **99.65%**. We continued to carry about 40-45% of total power generated in the country.

### NATIONAL GRID

Friends, strong power sector is the backbone of a strong economy and is essential to support GDP growth in the country. A well designed integrated transmission system and National Grid could go a long way in optimal utilization of generated energy and encourages larger goals of environmental sustainability. POWERGRID has been persistent in its efforts to enhance inter-regional power transfer capacity of the National Grid. This year, we enhanced the inter-regional power transfer capacity to about 17,000 MW from 14,100 MW, which has further strengthened the transmission corridors of Eastern-Southern and Eastern-Northern/ Western Regions, promoting economic power exchanges across the country. We have planned to enhance the inter-regional power transmission capacity of the National Grid to more than 37,000 MW by the year 2012.

### GRID MANAGEMENT AND OPEN ACCESS

It is my proud privilege to share that like last five and a half years, this year too, we have emulated our glorious past and have succeed to keep the country free from any kind of major Grid disturbance. As the famous Greek scientist and philosopher 'Aristotle' puts it:

***"We are what we repeatedly do. Excellence, then, is not an act, but a habit."***

I may inform you that grid disturbances which were more than 70 just about 6 years back have been reduced to 'Nil'.

We also facilitated Non-discriminatory open access and real time transfer of power on the number our transmission network by utilizing surplus capacity available. During the year, there was an increase of 30% in number of transactions involving 30,000 MUs of energy under short term open access. Further, energy worth **about Rs. 10,100 Crore** was transacted through Un-scheduled Interchanges (UI), compared to Rs. 6,814 Crore last year, an increase of 48%. These are very good indicators to gauge company's performance in managing the grids and utilising the available energy in an effective manner

### TECHNOLOGY INITIATIVES

Evolution is the law of nature and thus, continuous up-gradation in technology is of paramount importance in order to stay vibrant

and dynamic. The Company emphasizes on evolving and adopting new technologies continuously to effectively meet the challenges of power transmission in India.

With a focus on long term sustainability and to serve the growing energy needs, we continued our efforts towards introducing 1200 kV AC voltage in India. POWERGRID is establishing a 1200kV Ultra High Voltage AC Test Station at







Bina (WR) as a collaborative effort with manufacturers for indigenous development of 1200KV equipment. Besides, we have also formulated an action plan to implement  $\pm 800\text{kV}$ , 6000 MW HVDC Bi-pole line from North Eastern region to Northern Region (Agra). This link shall pass through the chicken neck area of the North Eastern Region, transferring large quantum of power over more than 2000 Kms. These technologies are pioneering efforts even globally.

## QUALITY CONSCIOUSNESS



We are well aware that the path to Excellence can not be traversed without adopting the invincible quality systems. It was keeping up with this vision that the Company acquired unique distinction of being the **First Power Utility and Second Company in the world** to get certified with Integrated Management System (IMS) as per Publicly Available Specification, **PAS 99:2006**. We achieved another milestone during the year in our quest for quality and got certified to **Social Accountability Standard SA 8000:2001** after successful audit.

## CONCERN FOR ENVIRONMENT

POWERGRID is aware that any development bereft of environmental concerns cannot be enduring and fulfilling. In order to address environmental issues effectively, POWERGRID is following its unique **Environmental and Social Policy & Procedures (ESPP)** in every sphere of project implementation since 1998. This has not only led to reduction in forest involvement in our projects but the resettlement & rehabilitation issues involved are also being addressed

in a systematic manner leading to faster project execution. We are continually upgrading these policies keeping in view the evolving practices nationally and internationally which would go a long way in addressing the critical issues in building the future transmission networks.

## SYNERGIC BUSINESS AREA

POWERGRID's telecom business is on the path of accelerated growth. We have completed telecom network of 20,000 Km and connectivity has been provided to all metros, major cities & towns. The Company is one of the few telecom players with presence even in remote areas including North-Eastern Region and J&K. We have achieved a growth of 62% over the last year by generating revenue of about Rs. **124 Crore during 2007-08** as compared to Rs 77 Crore last year. We have made plans for further enlarging the horizon of our telecom services in the areas of entertainment and door-to-door service.

## CONSULTANCY – A WIN WIN

Your Company with its strong in-house expertise in various facets of Transmission, Sub-transmission, Distribution and Telecom sectors is offering consultancy services at national and international levels. We made new forays in Consultancy business during FY 2007-08 and secured various assignments.

Besides working in Bhutan, Nepal and Afghanistan, we have further broadened our customer base internationally by securing an Engineering Consultancy assignment for 2 nos. 400kV GIS Sub-stations and associated Overhead Transmission Lines in Dubai from Dubai Electricity & Water Authority (DEWA). During the year, we also made foray into Nigeria and are providing Consultancy to Power Holding Company of Nigeria (PHCN) for Review and Updating of Telecommunication and Substation Automation Systems Specifications. During FY 2007-08 we realized a consultancy fee of about **Rs. 250 Crore**, an increase of over 11% from the last year.

## POWERGRID's IPO

One of the most significant achievements during the year was entry of POWERGRID into the capital market with an IPO through 100% book building process in Sept'07. Through IPO, we offered 573.9 million equity shares of Rs. 10/- each comprising 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 with a price band of Rs. 44 to Rs. 52 per equity share.



Our IPO issue received an overwhelming response. The global enthusiasm for the issue (\$30 billion in bids) has particularly been excellent. The issue mopped up Rs. 4,12,260 million through 12.59 lakh applications. In the post-issue scenario, the holding of Government of India is 86.36% of the paid-up equity share capital, while the remaining 13.64% is held by public.

### SUPPLEMENTING GOI EFFORTS BY FACILITATING PRIVATE PARTICIPATION

We realize that we need our friends in private sector to meet the ambitious task of developing seamless transmission networks to meet the power needs of the country. Our first Public-Private Partnership project with M/s Tata Power Ltd. for Transmission System associated with Tala HEP is under successful operation. This provided us further momentum to work towards enhancing private participation in the sector.

We have established four JVs with **M/s Reliance Energy Ltd., M/s Torrent Power Ltd., M/s Jaiprakash Hydro Power Ltd. and M/s. Teesta Urja Ltd.**; the Independent Power Producers (IPPs) for development of their dedicated transmission systems. POWERGRID's stake in these Joint Venture Companies would be 26%. Another JV with IL&FS has been set up to undertake project development of Intra-State Transmission and Sub-Transmission works for state power utilities.

We also facilitated establishment of Independent Power Transmission Company (IPTC) with 100% private investment for implementation of specific transmission lines under Western Region Strengthening Scheme-II Project.



### SECTOR SUPPORT: TOGETHER WE GROW

Your Company had taken a lead role in making contribution in the distribution sector reform programme of Government of India (GoI).

Under **Accelerated Power Development and Reform Program (APDRP)** of GoI, we are Advisor cum Consultant and extending our managerial and technical expertise for improvement of distribution system in 177 power distribution circles / schemes spread over 18 States with estimated cost of about Rs. 6,626 Crore. About 81% of the schemes have been commissioned and balance is expected to be completed by March, 2009. Besides this, we are also implementing some of these schemes on bilateral arrangement in the States of Bihar, Goa, Meghalaya, Uttar Pradesh, Tripura and Gujarat at a cost of about Rs. 1,100 Crore, 90% of which have been completed.

Under **Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)**, with ambitious target of GoI of providing electricity to all rural households by 2009, your Company has been making significant contribution through its involvement in projects for electrification of approximately **87,300 Villages** of 68 Districts at an estimated cost of **Rs. 9,400 Crore**. Out of this, we have established infrastructure for electrification of **22,082 villages** cumulatively till March, 2008.



### AIMING HIGHER

Electricity is the key driver for economic development of the country. India, being a developing country, the demand of power is increasing every year. To meet the increasing demand, capacity addition of 78,000 MW has been planned for XI Plan period. Considering the large requirement of funds for the sector, given its highly capital intensive nature, Government of India has initiated several policy initiatives including sectoral reforms. Government of India's vision of "Power to All by 2012" is the driving force for all players in the sector.

POWERGRID, as the Central Transmission Utility (CTU) of the country, is providing matching evacuation systems for generation capacity addition under central sector and other generation projects for which transmission system is required to be built by POWERGRID including Ultra Mega Power Projects.

The investment programme of the Company for XI plan period is about **Rs. 55,000 Crore**. For the year 2008-09, although we have kept a target investment of about Rs. 8000 Crore,





we are working towards achieving much more. We are taking a variety of measures to ensure the availability of resources; the three Ms: men, money & material, to achieve such ambitious targets for the year and the XI plan.

One of my priorities is to ensure an excellent work environment and offer opportunities for learning and personal growth for the employees to enable them to actualize their potential so as to meet the challenges before us. Besides a variety of regular programmes on technical and management subjects, we undertook programmes on Competence Mapping in association with leading HR consultants during the year so that the contribution of employees could be optimized and the level of job satisfaction could be enhanced.

I would also like to call upon my employees to take one extra step to deliver to the society and the nation. I am confident that with our dedicated team of employees and valuable support of our esteemed shareholders, Company will be able to put its best foot forward to discharge its responsibilities to all sections of the society and deliver value to its stakeholders.



As regards “Money”, POWERGRID, on its own, would be contributing about Rs. 15,000 Crore in XI plan which is envisaged to be met through internal resources expected to be generated from the Company’s operations. Your Company also took proactive steps and signed loan agreements with The World Bank for USD 600 Million (PSDP-IV) and Asian Development Bank (ADB) for US\$ 400 million in Mar’08. In addition, another loan of US \$ 400 million from World Bank and US \$ 200 million from ADB is expected to be signed shortly and the balance funds shall be arranged as per yearly requirement.

Regarding ‘material’, we are taking all pro-active steps to ensure their timely availability. The task ahead of us is gigantic and a slew of measures need to be undertaken to achieve them. We are developing new vendors and regular vendor meets are also being organized.

## ACKNOWLEDGEMENTS

I take this opportunity to express my sincere thanks to the Government agencies, particularly Ministry of Power, Ministry of Finance, Department of Public Enterprises, Planning Commission, Ministry of Environment & Forests, Central Electricity Authority and Central Electricity Regulatory Commission for their encouragement and support. I would also like to thank our Board of Directors especially the Independent Directors for their valuable inputs and laudable support.

I would also like to sincerely thank all our esteemed shareholders for their faith in the Board of Directors and the Management of the Company, the State Power Utilities, Financial Institutions etc. both domestic and international for their unstinted support at all times. Their active involvement has been a source of great encouragement and inspiration for us.

Thank you,

(S. K. Chaturvedi)  
Chairman & Managing Director

Place: New Delhi  
Date: 18<sup>th</sup> September, 2008





## DIRECTORS' REPORT

Dear Members,

It gives me immense pleasure to present on behalf of the Board of Directors, the 19th Annual Report on the performance of your Company during the financial year ended on March 31, 2008 together with Audited Statement of Accounts, Auditors' Report and comments on the Accounts by the Comptroller and Auditor General of India for the reporting period.



Your Company has displayed commendable performance in all its areas of operation. The major achievement during the year was listing of the Company on stock exchanges (BSE and NSE). We are now a much larger family comprising over 1.0 million shareholders. Powered with your strength, the Company would scale newer heights in the coming years.

The Initial Public Offering met with a resounding success, demonstrating investor's confidence in the Company and its growth prospects. This has further enhanced your Company's quest for excellence and with our professional work culture and employees' strong commitment, we would certainly exceed your expectations.

During the year, your Company has once again exceeded the performance targets set forth under Memorandum of Understanding (MoU) with Ministry of Power (MoP), Government of India. Based on overall performance, your Company is poised to achieve 'Excellent' rating for FY 2007-08 also.

Your Company has been chosen for the prestigious "MoU Excellence Award" for year 2006-07 for being amongst the top ten Public Sector Enterprises by the Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises, Government of India. It's worth mentioning here that your Company is the only utility in Power Sector which has been chosen for this award.

In fact, your Company has always exceeded the challenging targets set under MoU with Ministry of Power. The MoU rating of the Company has consistently been in the highest bracket ("Excellent") since signing of its first MoU with Ministry of Power in 1993-94. The Company had received this prestigious MoU Excellence Award in the past also on six occasions.

Three projects of POWERGRID have bagged the prestigious "National Awards for Meritorious Performance" instituted by the Government of India for the year 2006-07. While 132 kV Transmission System in North-Eastern Region received the Gold award, the Silver awards were conferred for the 220 kV and 400 kV Transmission System in Western Region and the 400 kV Double Circuit Kahalgaon-Patna-Ballia Transmission Line in Eastern Region.



Your Company, in a span of only 16 years, has grown by leaps and bounds and has carved a niche for itself amongst the largest transmission utilities in the world. The Company has been contributing significantly towards development of power sector in India through continuous innovations in technical & managerial fields and by undertaking coordinated development of power transmission network along with effective and transparent operation of regional grids.

### FINANCIAL RESULTS



	2007-08	2006-07
Turnover	5082	4097
Gross Margin	4217	3449
<b>Less:</b>		
Depreciation	960	828
Prior period Adjustment	182*	(9)
Deferred Revenue Expenses written off	5	8
PBIT	3070	2622
PBT	1730	1482
PAT	1448	1229
<b>APPROPRIATIONS</b>		
Transfer to Bonds Redemption Reserve	400	337
Interim Dividend	210	115
Proposed final Dividend	295	254
Tax on Interim Dividend	36	16
Provision for Dividend Tax on proposed final dividend	50	43
Transfer to General Reserve	550	600
Transfer to Self Insurance Reserve	30	25

\* includes Rs.179 crore on account of change in accounting treatment of FERV as detailed in note no. 21 to 23 of Notes on Accounts.

## OPERATIONAL EXCELLENCE

Your Company has developed strong in-house expertise in various facets of power transmission business. At the end of FY 2007-08, around 67,000 ckt. kms. of Extra High Voltage transmission lines and 111 Sub-stations with transformation capacity of more than 73,000 MVA, spread over the length and breadth of the country, are under operation. The availability of this huge transmission network is consistently maintained over 99%.

This excellent operational efficiency has been achieved through deployment of state-of-the-art operation & maintenance techniques such as Hot Line Maintenance, Hotline Washing of Insulators, Emergency Restoration Systems, Software based interpretation techniques, Equipment Condition Monitoring techniques including Dynamic testing of relays, Thermo-vision scanning of switchyard, Frequency Response Analysis (FRA) for transformers and reactors, etc.

As a result, average availability of transmission systems during the year 2007-08 was maintained at meritorious 99.65%. POWERGRID continues to wheel about 45% of total power generated in the country through its transmission network.

## QUALITY MANAGEMENT

Your Company is continuously striving to provide cost effective & quality services to its valued customers thereby deriving high customer satisfaction. To achieve this, your Company is implementing appropriate quality measures at every stage from conceptualisation of project till commissioning and subsequently during operation phase. Quality improvement techniques are being adopted to identify the areas of improvement and develop action plan for continuous quality







improvement in all of its activities. Various quality improvement measures taken up through process inspections at manufacturers' works have reduced the rejection during pre-dispatch inspection of material by 19%.

Your Company achieved unique distinction of being First Power Utility and Second Company in the world to get certified with Integrated Management System (IMS) as per Publicly Available Specification, PAS 99:2006 integrating requirement of ISO 9001:2000 (Quality), ISO 14001:2004 (Environment) & OHSAS 18001:1999 (Occupational Health & Safety Management System) after extensive audit.

During the year, your Company achieved another milestone in its quest for quality and got certified

to Social Accountability Standard SA 8000:2001 after successful audit by British Standards Institution (BSI), India.

### GRID MANAGEMENT AND OPEN ACCESS

Due to the strong and robust transmission network set up by POWERGRID, the Central Sector Generating Stations have not faced any generation evacuation problem on account of transmission constraints during the year. Further, the state-of-the-art Unified Load Despatch & Communication (ULDC) schemes have continued to bring quality and economy in operation of power system besides improving data availability, visibility and transparency. For overall co-ordination at national level, we are implementing National Load Despatch Centre (NLDC) at Delhi with back up at Kolkata, which is expected to be completed by Sept'08. NLDC shall be the apex body to ensure integrated operation of the national power system.

As a result of modernisation of Regional Load Despatch Centres (RLDCs) coupled with adoption of best operational practices, proactive preventive maintenance, Availability Tariff and round the clock vigil of the grid, we successfully managed to arrest occurrence of any major grid disturbance in the country during last more than five and half years. Minor grid disturbances in regional grids also came down significantly.

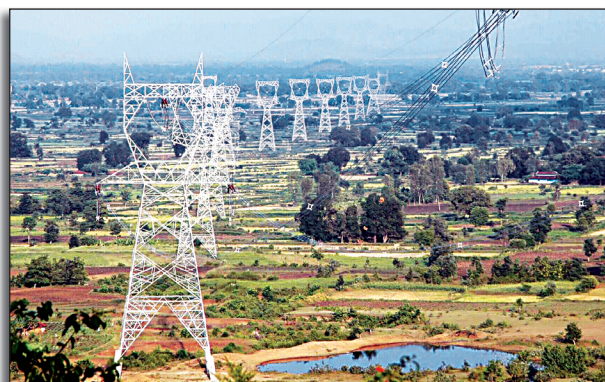
Our strong transmission network and modernised RLDCs have also facilitated manifold growth in inter-regional power exchanges across the country on real-time basis. During FY 2007-08, about 43,000 MUs of inter-regional energy transfer was facilitated across the country, an increase of about 13% compared to previous year (about 38,000 MU). Growth of inter-regional power exchange helped in meeting more demand in energy deficit regions besides achieving overall economy.

The surplus capacity available with our robust transmission network by virtue of inherent design and variation of power flow facilitated non-discriminatory open access and real time transfer of power. During the year, more than 9,560 transactions involving 30,000 MUs of energy were approved under open access compared to 5787 transactions and 23,000 MUs of energy during 2006-07, an increase of 30%. Further, energy worth about Rs. 10,100 Crore was transacted through un-scheduled interchanges (UI) mechanism compared to Rs. 6,814 Crore during last year, an increase of 48%.

### PROJECT IMPLEMENTATION

Your Company puts best efforts to implement transmission projects within stipulated time frame to derive maximum economic benefits. For timely implementation of projects, your Company takes a variety of measures such as advanced and cost effective Integrated Project Management and Control System (IPMCS) for total project review and monitoring, Standardisation of Designs, Project Review Meetings (PRMs) at regular intervals through video conferencing, pre-emptive measures and advance actions on various project linked activities such as land acquisition, survey and soil investigations, tender activities, funding tie-up, etc. in parallel with project investment approval process.

Your Company displayed excellent performance on project implementation front during FY 2007-08. Transmission projects







worth about Rs. 5958 Crore were commissioned during the year, thereby adding about 7,350 Circuit Kms, 9 EHV AC sub-stations and transformation capacity of more than 13,700 MVA to our transmission network. Major projects commissioned during the year include, Kahalgaon –II (Phase-I) Transmission System, Vindhyachal –III Transmission System, Bina – Nagda Transmission Line, System Strengthening –III of Southern Region, etc. These additions to the Company'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.

It may be mentioned that the average cost of Transmission lines of POWERGRID for 400 kV D/C line {twin moose} is Rs. 0.95 Crore / Km.) as compared to the costs internationally Rs. 4.9 Crore / Km. in USA

POWERGRID has fully met its construction targets during the year. Special achievements made on project implementation

front include,

1. The 1st 765 kV transmission system, namely 765 kV Sipat-Seoni line alongwith 765/ 400/ 220 kV Seoni Sub-station under Sipat-I transmission system, successfully implemented and put into operation in Oct'07.
2. 220 kV Unchahar-III transmission system was commissioned in Jul'07, 10 months ahead of schedule.
3. The project for augmentation of transfer capacity of  $\pm 500$  kV Talcher-Kolar HVDC Bipole link from 2000 MW to 2500 MW was completed in Jul'07, 9 months ahead of schedule.
4. 400 kV Bina – Nagda Transmission System successfully commissioned in Oct'07, 5 months ahead of schedule.
5. 400 kV Teesta – Siliguri line for evacuation of power from Teesta-V HEP was made ready in Jan'08, 4 months ahead of schedule.
6. 400 kV RAPP – Kankroli transmission line for evacuation of power from RAPP 5&6 has been made ready ahead of the generation project, in Mar'08.

During the year, 9 new projects with an estimated cost of more than Rs. 2,500 Crore involving about 1,650 Ckt Kms of transmission lines, 4 new sub-stations and transformation capacity of about 4,255 MVA were approved and taken up for implementation. At the end of March, 2008, transmission projects at a cost of about Rs. 22,000 Crore involving 20,000 Ckt Kms of transmission lines and 29 new sub-stations are under various stages of implementation.

#### Major ongoing projects include:

- **Generation Linked:** Transmission System associated with Sipat-I (1980 MW) (part), 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), Gandhar-II (1350 MW), Parbati-II HEP (800MW), Parbati -III HEP (520 MW), Koldam HEP (800MW), Sewa-II (120MW), Koteswar HEP (400MW), Uri-II (240MW);
- **Grid Strengthening Schemes:** Northern Region System Strengthening Schemes (six in number, e.g. I, III, V, VI, VII and VIII), Western Region System Strengthening Schemes (seven in number, e.g. I, II, III, IV, V, VI and VII), East-West & North-West Transmission Corridor Strengthening Schemes, Eastern Region System Strengthening Schemes (two in number, e.g. I and II);
- **Load Despatch & Communication scheme:** National Load Despatch & Communication (NLDC) scheme.

In addition, 21 new projects with an estimated cost of more than Rs. 50,000 Crore, involving about 24,000 Ckt. Kms of 765/400/220/132 kV transmission lines and 25 new sub-stations with transformation capacity of 87,830 MVA and HVDC terminals of 12,500 MW have been conceptualized and are presently under process of investment approval. Your Company has also been entrusted by GoI to develop associated transmission systems for evacuation of power from Ultra Mega Power Projects (UMPPs). Accordingly, Feasibility Report cum Detailed Project Reports (FR cum DPRs) for Sasan, Mundra and Krishnaptnam UMPPs have been prepared and are under process of investment approval.

#### FINANCIAL MANAGEMENT

Your Company has recorded an impressive financial performance during FY 2007-08, achieving a turnover of Rs. 5,082 Crore and Net Profit of Rs. 1,448 Crore as compared to Rs. 4,097 Crore and Rs. 1,229 Crore respectively during FY 2006-07. The gross asset base of the Company has been enhanced to more than Rs. 35,400 Crore from Rs. 29,015 Crore



in 2006-07, an increase of about 22%.

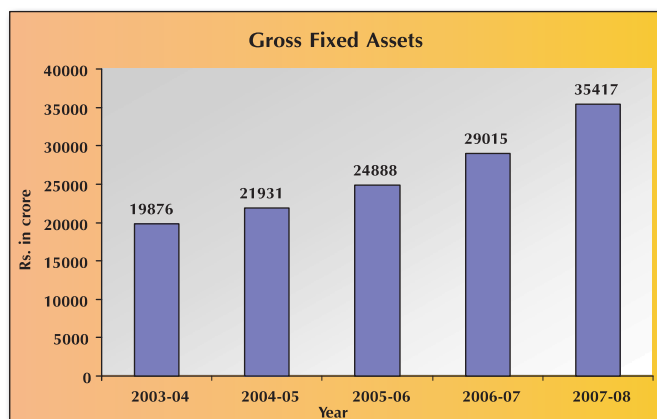
Your Company has undertaken other kind of synergetic businesses such as Telecom and consultancy with assignments at National and International level in transmission, distribution, telecom sectors, etc to further enhance value for our shareholders.

### Capital investment and fund mobilisation

The Company undertook capital investment of Rs. 6,615 Crore during the financial year 2007-08 as against an approved capital investment of Rs. 6,504 Crore. The requisite funds were mobilised from domestic market and proceeds of ongoing loans from multilateral funding agencies, The World Bank (WB) and Asian Development Bank (ADB) were utilised, besides internal resources of POWERGRID.

During FY 2007-08, POWERGRID mobilised Rs. 2,769 Crore from domestic market through private placement of bonds with attractive coupon rates. Domestic credit rating agencies namely, CRISIL, CARE and ICRA have assigned credit ratings of AAA/ Stable (triple AAA with stable outlook), AAA and LAAA respectively for our bonds issue. These credit rating agencies have also assigned AAA (Highest Safety) and LAAA ratings for long-term borrowings.

In addition to above, process of mobilization of additional loans from The World Bank (WB) and ADB was also taken up during the year to arrange funds for implementation of various transmission projects during XI plan. As a part of this, POWERGRID has signed loan agreements with The World Bank for USD 600 Million (PSDP-IV) and Asian Development Bank (ADB) for US\$ 400 million in Mar'08. Government of India has extended guarantee for these loans.



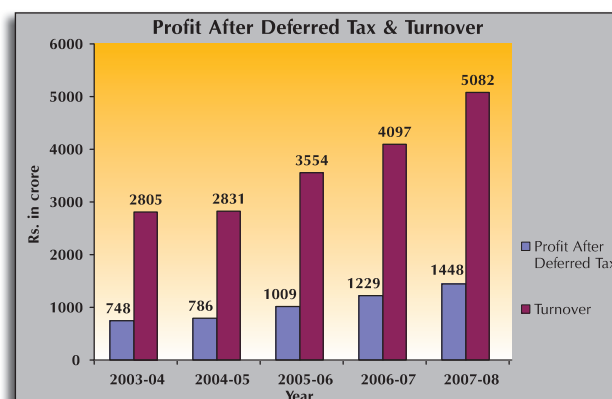
of 573.9 million shares received overwhelming response and was fully subscribed soon after opening. The book was subscribed 1.08 times on the very first day. The issue was closed on September 13, 2007. Overall, the issue was subscribed 64.50 times; the Qualified Institutional Buyers – about 115.47 times, Non-Institutional investors – 39.75 times, Retail Individual Investors – 6.68 times and Employees – 3.28 times. The global enthusiasm for the issue has been overwhelming. The issue mopped up Rs. 41,226 Crore with a valid demand for 37024.38 million equity shares through 12.59 lakh applications. Over 99% of the total book was built at the highest end of the price band, i.e. at Rs. 52 per share. Hence, the issue price of each equity share was fixed at Rs. 52. After the due process of approval by the Stock Exchanges, listing and trading at NSE and BSE was commenced on 5th October, 2007.

This tremendous response shows the growth potential of the Company and the faith of people/investors in the Company.

In the post-issue scenario, the holding of Government of India is reduced to 86.36% of the paid-up share capital of the Company. A sum of Rs. 994.82 Crore was paid to the Government of India towards "Offer for Sale" and Rs. 1989.63 Crore being the proceeds of fresh issue was retained by the Company.

### Dividend Payout

For the financial year 2007-08, your company has proposed a final dividend of Rs.0.70 per share in addition to Rs.0.50 per share of interim dividend paid in March, 2008. The final dividend shall be paid after your approval at the Annual General Meeting. Thus total dividend pay out for the year amounts to Rs.505.08 Crore (including an interim dividend of Rs.210.46 Crore) as against Rs. 368.82 Crore paid during the previous year. The total dividend pay out accounts for



### Initial Public Offering (IPO)

POWERGRID entered the equity segment of capital market with an IPO through 100% book building process during the FY 2007-08. IPO of 573.9 million equity shares of Rs. 10 each comprising 10% (ten percent) of fresh issue of existing paid-up capital along with disinvestment of 5% (five percent) of Government of India's shareholding in the Company with a price band of Rs. 44 to Rs. 52 per equity share was floated.

As per schedule, the issue was opened on 10th September, 2007 and closed on 13th September, 2007. The total issue

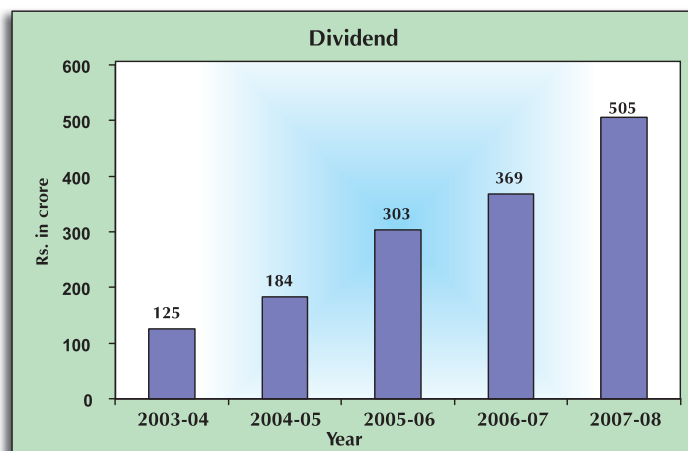


34.87% of Profit after Tax of the Company.

#### Directors' Responsibility Statement

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

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



#### XI Plan Investment programme

Investment programme of the Company for XI Plan has been estimated based on 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 (UMPPs). Based on this, an investment of about Rs. 55,000 Crore is envisaged to be made during XI Plan period. POWERGRID is fully confident of mobilising resources for meeting the above capital investment and already initiated necessary actions in this direction.

#### COMMERCIAL PERFORMANCE

The Company's performance on commercial front in terms of revenue realisation has been highly satisfactory. Current realisation of about Rs. 4,503 Crore stood at about 100% of billed amount during the year 2007-08. POWERGRID is continuously realising 100% of its current receivable dues for the last four years. Post-securitisation, outstanding dues (beyond 90 days of billing) stands at nil as on March 31, 2008. The present LC coverage of Rs. 280.03 Crore is equivalent to more than 100% of average monthly billing.

#### TOWARDS NATIONAL GRID

The Company has planned to create a strong National Grid in a phased manner to ensure optimum utilization of generating resources and bringing security & reliability in power system operation. Towards this, a perspective transmission plan has been evolved for strengthening the regional grids and to support the generation capacity addition program of about 78,000 MW during XI Plan. In line with this plan to establish an Integrated National Grid in a phased manner, various inter-regional transmission schemes have been commissioned/ undertaken for implementation/ planned by the Company.

During the year, inter-regional power transfer capacity of National Grid has been enhanced to about 17,000 MW from 14,100 MW at the end FY 2006-07 through upgradation of Talcher-Kolar HVDC bi-pole and commissioning of Patna-Balia 400 kV D/c line (2nd Circuit) & Biharshariff-Balia 400 kV D/c line. Commissioning of these inter-regional links has strengthened the transmission corridors of Eastern-Southern and Eastern-Northern/ Western regions and would promote economic exchanges by facilitating transfer of power across the country.

Further strengthening of this National Grid is being undertaken through implementation of various inter-regional links as a part of planned generation projects. Accordingly, the Inter-regional power transfer capacity of National Grid is envisaged to be enhanced to more than 37,000 MW by year 2012.

#### RESEARCH AND DEVELOPMENT (R&D)

The Company has undertaken several technological innovations aimed at conserving Right-of-Way (RoW), minimizing impact on natural resources & human habitat and cost effectiveness in evacuation of power from the future generation projects.

The Company has been continuously upgrading and uprating its existing transmission lines to meet the short-term requirements. 400 kV EHV AC lines with triple/ quad conductor and/ or application of series compensation have been implemented to handle bulk transfer of power over short distances. POWERGRID has taken initiative for development

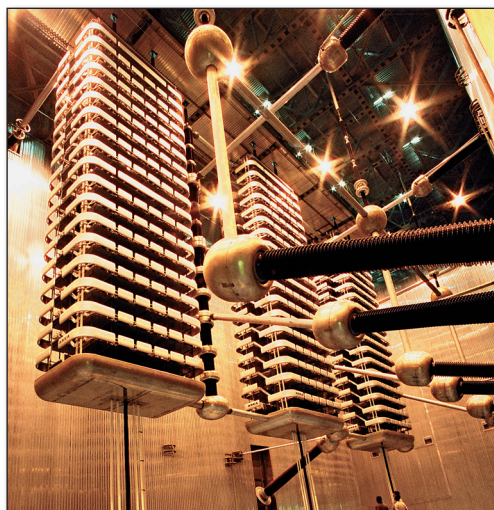




of major transmission highways using higher transmission voltage levels, i.e. 765 kV EHV AC and  $\pm 500$  kV HVDC as a viable alternatives to achieve efficient utilisation of existing RoW and increased power transfer capability for transfer of bulk power over long distances.

### 1200kV UHVAC Transmission System – A Breakthrough

In order to meet the long-term power transfer requirement by the year 2027 & beyond and to take care of environmental considerations, development of an overlaying Super Grid comprising 1200kV UHVAC system is being envisaged. At present, there are no standardized parameters available for 1200kV AC system and equipment at this voltage level are also not available commercially worldwide. Your Company has taken leadership initiative to carry out R&D in this area to develop the 1200kV system indigenously. A 1200kV UHVAC Test Station along with a 1200kV test line is being established at Bina substation in Madhya Pradesh (Western Region) of POWERGRID, as a collaborative effort with equipment manufacturers, for indigenous development of 1200kV equipment in India.



### $\pm 800$ kV HVDC Bi-pole line

The Company is also getting ready with its action plan to implement  $\pm 800$ kV, 6000 MW HVDC Bi-pole line from North Eastern Region to Northern Region (Agra). This shall be the first of its kind ( $\pm 800$ kV HVDC line) having the largest power carrying capacity and transmitting power over distance more than 2000 Kms.

### Smart Grid

For keeping pace with increasing complexities of grid operation in a dynamically changing electricity market, continuous upgradation of the load dispatch centres through Wide Area Monitoring, Adoptive Islanding, Voltage Security Assessment, Dynamic Security Assessment leading to Smart Grid is also being explored.

## INITIATIVE FOR STRATEGIC ALLIANCES

Your Company has been successful in facilitating private investment in transmission sector. The first Public-Private Partnership project with M/s Tata Power Limited for the Transmission system associated with Tala HEP is under successful operation.

Rejuvenated with the success achieved, we have established four more Joint Ventures (JVs) and facilitated one transmission project with 100% private investment through Independent Power Transmission Company (IPTC) route. Details as mentioned below:

- M/s Parbati-Koldam Transmission Company Limited, a JV Company with M/s Reliance Energy Limited (REL), has been established for implementation of transmission system associated with Koldam & Parbati-II HEPs.
- M/s Torrent POWERGRID Limited, a JV Company with M/s Torrent Power Ltd. has been for implementation of transmission system associated with 1100MW generating project at Surat.
- M/s Jaypee POWERGRID Limited, a JV Company with M/s Jaiprakash Hydro Power Ltd. has been established for implementation of transmission system associated with 1000MW Karcham-Wangtoo HEP.
- POWERGRID IL&FS Transmission Company Pvt. Ltd., a JV with M/s. IL&FS has been formed to undertake project development of intra-State transmission and sub-transmission works for State power utilities.
- POWERGRID is also facilitating the implementation of transmission lines under Western Region Strengthening Scheme-II (Project B&C) through 100% private sector participation (IPTC route). Implementation agreement for above projects was signed in November, 2007 with M/s Reliance Energy Transmission Ltd., who was selected based on tariff based bidding through International Competitive Bidding Process.



## PERFORMANCE IN TELECOM



In Telecom business, your Company has installed over 20,000 Km. Telecom Network on its transmission infrastructure and connectivity has been provided to all metros, major cities & towns. It is a matter of pride that your Company is one of the few telecom players with a marked presence in remote areas and has acquired IP-II, ISP Category A & NLDO licences to provide a variety of services. Customers of POWERGRID include prime telecom companies such as BSNL, VSNL, Bharti Airtel, Vodafone, Idea, Reliance, Tata Teleservices, prestigious Government organizations such as ERNET, STPI, NIC and various Government Ministries. The Company is also planning to attract customers from entertainment and broadcasting industry.



The Company has earned a revenue of about Rs. 124 Crore from its telecommunication business during FY 2007-08, a growth of 62% over last year (Rs. 77 Crore).

#### **BUSINESS DEVELOPMENT & CONSULTANCY**

Your Company has strong expertise in various facets of Power Transmission, Sub-transmission, Distribution and Telecom sectors and is utilising this expertise to offer consultancy services world wide. Besides various domestic assignments, the Company is taking keen interest in development of transmission system in the neighbouring countries viz. Bhutan, Nepal, Afghanistan. Besides, a pre-feasibility report has been prepared for proposed under-sea interconnection with Sri Lanka.

Your Company has realised revenue of about Rs. 250 Crore during FY 2007-08 as a consultancy fee from its various ongoing assignments. We secured various new consultancy assignments during the year 2007-08 with project cost of about Rs. 1,840

Crore.

Some of the major assignments secured during the year are as detailed below:

#### **(A) INTERNATIONAL**

POWERGRID in consortium with M/s Sigma Enterprises, our local associate in Dubai, has secured Consultancy assignment from Dubai Electricity & Water Authority (DEWA) for providing Engineering Consultancy Services for 2 nos. 400kV GIS Sub-stations and associated Overhead Transmission Lines.

Consultancy to Advance Engineering Associates International, inc (AEAI) for providing engineering design, preparation of bid documents and environmental assessment services for Sheberghan – Mazhar – Naibabad Transmission Line in Afghanistan funded by USAID.

Engineering Consultancy to Ministry of Energy and Water (MEW), Afghanistan for construction of 220/20 kV Aybak Substation funded by World Bank / USAID.

Consultancy to Power Holding Company of Nigeria (PHCN) for the Review and Updating of Telecommunication and Substation Automation Systems Specifications.

M/s Power Transmission Company Nepal Ltd.(PTCN) has awarded a contract for carrying out Study Pertaining to Dynamic Stability and Oscillations between India & Nepal grids with operation in synchronous mode through proposed 220kV Dhalkebar - Muzzaffarpur line.

#### **(B) DOMESTIC**

Turnkey execution of 220 kV D/C Misa - Byrnihat line alongwith new Sub-station at Byrnihat, on cost plus basis, for Meghalaya State Electricity Board (MeSEB).

Quadripartite agreement was signed amongst Ministry of Power, Govt. of Bihar, Bihar State Electricity Board and POWERGRID for providing Consultancy services for Turnkey execution of works of scheme, namely 'Strengthening of Sub-transmission Scheme under Phase II, Part II in Bihar'.

New Delhi Municipal Council (NDMC) has awarded consultancy work for Turnkey execution of System Strengthening Works in NDMC areas. The Project includes construction of new 66/11kV & 33/11 kV GIS stations, augmentation of existing stations, under ground cabling works, etc.





## CONTRIBUTION IN DISTRIBUTION REFORMS

Your Company has taken lead role and is making valuable contribution in Govt. of India's nation building schemes of Accelerated Power Development and Reforms Programme (APDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) which are aimed at bringing qualitative improvement in the distribution and reform sector.

Under APDRP, the Company is acting as Advisor-cum-Consultant (AcC) to lend its managerial and technical expertise for improvement of distribution system in 177 distribution circles/ towns/ schemes spread over 18 States at an estimated cost of about Rs. 6,626 Crore. 81% of the schemes have been commissioned and the remaining sanctioned schemes are expected to be completed by March, 2009. The Company is also implementing some of these schemes on deposit work basis under bilateral arrangement in the States of Bihar, Goa, Meghalaya, Uttar Pradesh, Tripura and Gujarat at a cost of about Rs. 1,100 Crore, 90% of which have been completed.

Under RGGVY, the Company had entered into a quadripartite agreement with Rural Electrification Corporation (REC), State Government and State Power utility, for undertaking rural electrification works in the country. The Company has been assigned the job for execution of rural electrification works in 68 districts in the country covering 87,300 villages at an estimated cost of about Rs. 9,400 Crore. Cumulatively till Mar'2008, POWERGRID has established infrastructure for electrification of 22,082 villages including 3 Lac BPL (Below Poverty Line) connections under rural electrification programme.

## E-GOVERNANCE:

POWERGRID has made remarkable strides in the area of Information Technology (IT) and systematically developed, through in-house efforts, software applications for most of the functional areas for deploying IT for efficient and effective discharge of its objectives.

The Company's initiatives for e-governance was recognized at National level and the Company received bronze medal for "In-house development of Web Based Inspection Call Management System" under National Awards for e-Governance 2007-08 scheme for "Exemplary usage of ICT by PSU's category.

Major IT endeavours during the year include the following:-

- All the transmission asset and maintenance details for three of the regions are now available on internet for anytime anywhere use of information for decision support system.
- Design of Enterprise Project Management completed for substation and transmission line projects.
- Facility Management service at Corporate office through single window has reduced the IT infrastructure downtime considerably.



## ENVIRONMENTAL AND SOCIAL SAFEGUARDS MANAGEMENT

The Company since its inception endeavours to protect the environment in all areas of its activity right from planning to completion and subsequent operation of the project. The transmission projects are environmentally clean and non-polluting in nature and don't generate solid waste. The developmental activities carry certain environmental and social impacts, mostly minor in nature.

In order to address such issues, the Company had developed Environmental and Social Policy and Procedures (ESPP) in 1998 and subsequently upgraded the same in 2005, in line with trends and international best practices, to pre-empt all possible environmental issues. The ESPP outlines POWERGRID's approach and commitment to deal with environmental and social issues, relating to its transmission projects and lays its management procedures and protocol to mitigate the same. POWERGRID is committed towards achieving sustainable development, as stated in its environment and social policy:





“POWERGRID is committed to the goal of sustainable development and conservation of natural resources, through continually improving of its management system. Assessing specialist knowledge for management of significant environmental and social issues and introducing new state-of-the-art and international proven technology while strictly following the principle of avoidance, minimization and mitigation.”

Towards conservation of natural resources particularly forest, POWERGRID has achieved tremendous success after implementation of ESPP. The forest involvement, which was about 6% in about 27,000 ckt. kms. of transmission network constructed till 1998 has come down to 2% in about 40,000 ckt. kms. constructed during last 10 years after implementation of ESPP.

### CORPORATE SOCIAL RESPONSIBILITY

POWERGRID has also been working towards the development and well being of the community. A number of social development schemes are being promoted involving socially weaker sections especially the SC/ST, people with special needs and women welfare. The Company, independently or through NGOs, emphasises overall development of the region in which it operates by undertaking various community development schemes in villages adjoining the substations through providing medical, education, drinking water besides other infrastructure facilities like roads, community centres etc. Further, we have been assisting people in times of natural disasters.

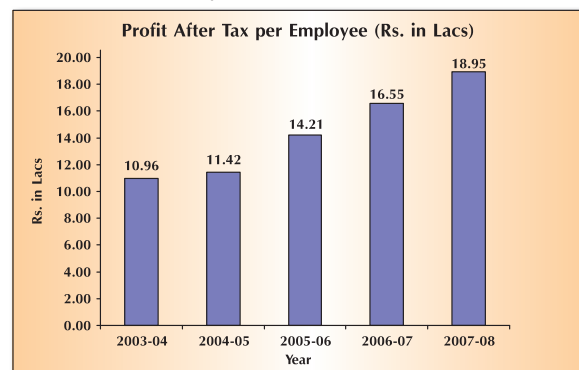
### PEOPLE, OUR PRIME MOVERS

#### Human Resource Development

Human Resource Development (HRD) continues to be our key focus area, as we take pride in commitment, competence & character of our 7650 strong workforce in all realms of business. The approach is now towards an integrated development of our employees to achieve development of skill, enhancing productivity and quality of work, building employee loyalty to the Company besides increasing individual and organizational performance to achieve business results.

HRD activities are planned in advance based on Training Need Assessment (TNA) conducted for all employees across the organization, levels & departments and is enlisted for the year in Human Resource Development Action Planner. Around 3800 employees have undergone class-room in-house as well as external training programs this year. Training is being imparted in all functional areas including programs on Sub-station Automation, Latest Survey Techniques, Developing Marketing Skills for Telecom Business, Advanced Features in IT, Networking Administration and Security, Power System Analysis, etc.

To improve the character and personality, attitude and behaviour as also to bring about a paradigm shift in thinking of employees; several programs on soft skills have also been conducted across levels and regions. Additionally, employees have been deputed for conferences & seminars for sharing of experience. Employees working at the grass-root level have been exposed to hands on training at manufacturer sites. All newly recruited employees are made to undergo an induction program. 125 Executive Trainees have been put through a one year induction training program during the year, which included class-room training, industry visits and on the job training. Employees promoted across categories are subjected to programs to enhance their skills. As a step towards integrated development of employees, we encourage employees to take up membership of professional bodies through reimbursement of the professional fees.

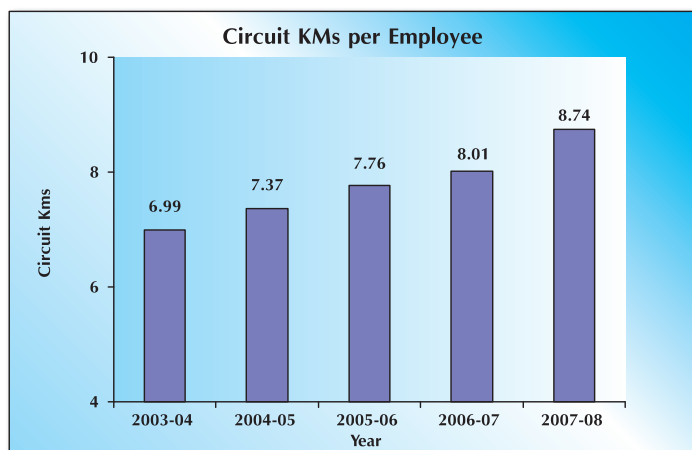


Our Employee Development Centres at Kishenpur, Itarsi, Hyderabad & Misa are accredited by the central organizations. We sponsor employees for long duration professional courses in Energy Management and MBA programs of the leading management institutions. POWERGRID has also taken up training of employees of State Electricity Boards and other power utilities within the country and overseas.

#### Employee welfare

We are first Company in Indian Power Sector to get our entire establishments certified under Social Accountability 8000:2001. The Cafeteria in the Corporate Office and Food Lounge of Multi





Purpose hall of your Company is conferred with ISO 22000: 2005 where quality food is being served to employees. POWERGRID has also been certified compliant under OHSAS 18001:1999 for providing a healthy working environment for employees by ensuring norms for occupational health and safety in the workplace.

Keeping in pace with changing needs and welfare of employees, various policies and rules are being revised / amended from time to time. Policy on Annual Health Check-up in respect of Non-executives is in process. Clinic located at our Sector-43 Township in Gurgaon has been tie-up with M/s Paras Hospitals for providing "round the clock" medical services to our employees and their family members. Further, various hospitals

adjacent to our establishments have been empanelled both at Corporate Centre as well as in the regions for benefit of Employees and their dependents.

Cultural programmes are conducted periodically for promoting healthy community living and entertainment on various occasions like, Diwali get-together, Holi Milan, New Year, Raising Day, etc.

The Company has also been organizing Intra-Regional Sports Competitions for Kabbaddi, Cricket, Volleyball, Chess, Badminton etc. and regularly been participating in the Inter-PSU Sports Meet. POWERGRID players in Kabbaddi, Table tennis and Lawn-Tennis have stood meritorious and bagged awards in the Inter-PSU tournaments.

#### Citizen's charters

The Company 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 all of our offices. This information is also available on POWERGRID web site 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 had proved its commitment for implementation of Rajbhasha Policy of Govt. of India and is sensitive towards our heritage, social and cultural concerns.

POWERGRID has made all out efforts to ensure use of Hindi in all aspects of management at all levels in the Corporation. In order to motivate employees for extensive use of Rajbhasha, lectures on heritage, social and cultural concerns are being arranged by eminent scholars on regular basis. For increased use of Official language, various activities were undertaken such as organizing workshops to impart training in translation through 'Anuvad Abhyaas Karyakram', enhancing working knowledge through organizing computer trainings and Hindi classes, etc. Various activities such as Akhil Bhartiya Rajbhasha Sammelan, Kavi Sammelan (poetry sessions), Drama, Publication of Hindi Magazines/papers, 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 in implementation of Rajbhasha have been applauded in many forums and we received many accolades.

#### Renewed commitment to transparency

In POWERGRID, the role of vigilance has been considered as an essential management arm. Accordingly, a number of steps have been taken to improve vigilance functioning in the organisation as well as for effective implementation of the CVC's directives through leveraging technology. Publication of NITs and contract documents on website, Bill tracking system & E-payments, etc. have already been implemented and e-procurement is being implemented.

Besides above, to improve transparency in our working, information such as status of sub-vendor approval, publication of HR Rules and policies, details of Contracts awarded (> Rs. 1 crore) as well as evaluation criteria are made available







on the website for use of various stakeholders. Further, the Rules and Regulations of the Company are also periodically uploaded on the website as per the requirements of the RTI Act, etc.



In accordance with the CVC directives, the Company is striving to intensify the preventive aspect and minimising the punitive aspect. This new dimension is to plan process online inspections in such a manner that critical activities of pre-award and post-award functions are inspected while they are being performed and at the critical time.

During the year, 34 complaints were received, out of which 15 were signed complaints, including 4 complaints referred to by CTE's Organisation and 3 cases instituted out of vigilance inspections. Investigations into complaints resulted in issue of advisory memos in 7 cases and imposition of penalties in 20 cases. 15 disciplinary cases were received during this period, out of which penalties were imposed on 7 employees.

88 internal inspections were carried out during the year and recoveries were affected during this period. Replies were sent on 422 paras referred to by the CTE. Out of this, 180 paras and 7 packages have been closed by CTE. CTE conducted 7 intensive examinations of major works during the period. Scrutiny of Annual Property Returns of 4062 executives and supervisors of the Corporation, both at the regions as well as in Corporate Centre were completed during the year.

## MANAGEMENT DISCUSSION AND ANALYSIS

In addition to the issues in the Directors' reports, 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, 2008 by the Comptroller and 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

Shri. S. K. Chaturvedi has assumed the charge of the post of Chairman & Managing Director, Power Grid Corporation of India Ltd. with effect from 1st August, 2008 vide Office Order dated 8th July, 2008 of Ministry of Power, Govt. of India. The Board extends a very warm welcome to Shri Chaturvedi on assumption of post of CMD. Sh. S. Majumdar, Director (Projects) who had assumed the additional charge of the post of Chairman & Managing Director on 30th May, 2008, relinquished the same on 1st August, 2008.

Dr. R. P. Singh has relinquished the charge of post of CMD, POWERGRID w.e.f. 30th May, 2008 on acceptance of his resignation by President of India vide Ministry of Power, Office Order dated 30th May, 2008. The Board wishes to





place on record its deep appreciation and gratitude for invaluable contribution and unstinted support to the Company made by Dr. R. P. Singh during his tenure as the Chairman & Managing Director.

Shri Rajesh Verma, Joint Secretary & Financial Advisor, Ministry of Power, joined the Board of the Company on 2nd August, 2007 in place of Shri M. Sahoo who ceased to be the Director of the Company on 30th June, 2007, in terms of the provisions of Article 31 (c) (iv) of the Articles of Association of the Company. The Board wishes to place on record its deep appreciation for the valuable services rendered by Shri M. Sahoo during his association with POWERGRID.

Five Non-official Part-time Directors viz. Dr. P.K. Shetty, Shri M.S. Kapur, Dr. A.S. Narag, Shri Anil K. Agarwal and Shri F.A. Vandrevalla were appointed on the Board of POWERGRID on 10th July, 2007. Further, two Non-official Part-time Directors viz. Shri S.

C. Tripathi, former Secretary to the Govt. of India and Shri Ashok Khanna were appointed on the Board of POWERGRID on 25th April 2008. Ministry of Power vide their Order dt. 23.07.2008 conveyed the appointment of Smt. Sarita Prasad, IAS (Retd.) as part-time non-official Director on the Board of POWERGRID. The Board extends a very warm welcome to them. Shri M. S. Kapur, Non-Official Part Time Director, resigned from the post of Director w.e.f. 5th October, 2007.

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 read with Article 31 (iii) of the Articles of Association of the Company three directors – Dr. P. K. Shetty, Shri J. Sridharan and Sh. S. Majumdar shall retire by rotation at the Annual General Meeting of your Company and being eligible, offer themselves for re-appointment.

## ACKNOWLEDGEMENTS

The Board of Directors, acknowledges with deep sense of appreciation the co-operation received from the Govt. of India, particularly the Ministry of Power, Ministry of Finance, Ministry of Statistics and Programme Implementation, Ministry of Environment & Forests, Planning Commission, Department of Public Enterprises, Central Electricity Authority, Central Electricity Regulatory Commission, State Governments, Regional Power Committees and State Power Utilities as well as from Securities Exchange Board of India, National Stock Exchange of India Ltd. and Bombay Stock Exchange Ltd., Mumbai.

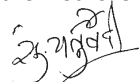
The Board also conveys its gratitude to the shareholders, various International and Indian Banks/Financial Institutions for the confidence reposed by them in POWERGRID. Board's special appreciation and thanks are due to the valued customers, the purchasers of power as also to valued consultancy clients, who have reposed confidence in your Company.

The Board also appreciates the contribution of Contractors, Vendors and Consultants in the implementation of various projects of the Company. The Board acknowledges with thanks the constructive suggestions received from C&AG and the Statutory Auditors.

To end up, the Board wishes to place on record its appreciation for the relentless efforts and contributions made by the employees at all levels including their family members to ensure that the Company continues to grow and excel.



For and on behalf of the Board of Directors



(S. K. Chaturvedi)

Chairman & Managing Director

Place : New Delhi

Date : 06 August, 2008





## MANAGEMENT DISCUSSION AND ANALYSIS

The Government of India has conferred “Navratna” status to POWERGRID on 1<sup>st</sup> May, 2008 which provides us with powers to undertake new transmission projects of any amount without Government approval. Earlier, POWERGRID was a Mini-Ratna Category-I public sector undertaking since October 1998.

### Growth in Transmission:

Keeping in view the large incremental capacity addition requirements of the current Plan and to fulfill the macro objective of Power sector 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, till 31<sup>st</sup> March, 2008:

- Transmission Network of around 67000 Circuit kms. of Extra High Voltage transmission lines with 111 nos. of EHVAC & HVDC sub-stations.
- Inter-regional power transfer capacity of about 17,000MW,
- Consistently maintained the transmission system availability at 99.65% at par with the International utilities.
- Wheel about 45% of the total power generated in the Country.

### POWERGRID's commitment towards furtherance of National Grid

During the year, the Company has added transmission network of 7,350 Circuit Kms. 9 EHV AC sub-stations and transformation capacity of 13,700 MVA. The target and achievement of POWERGRID in project implementation during the year 2007-08 have been as under:

Works	Target to achieve excellent rating as per MOU	Achievement	Percentage
Foundation (Nos.)	10000	10894	109%
Tower Erection (Nos.)	9000	9832	109%
Stringing (in CKms.)	6200	6372	103%
Transformation Capacity addition (MVA)	12405	13075	105%

- 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.55,000crore 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.
- POWERGRID is also entrusted with role of Central Transmission Utility (“CTU”) by Gol. In this role, the company operates as one of the chief agencies responsible for the planning and development of the country’s nationwide power transmission network, including interstate networks.
- The company has taken the initiative to develop certain new transmission lines and systems with private parties, in public-private joint ventures. The detail in this regard has been provided later in the discussion.
- Leveraging on our strengths, we have diversified into the consultancy business. Since Fiscal 1995, our consultancy division has provided transmission-related consultancy services to more than 90 clients in over 225 domestic and international projects. Our consultancy role have facilitated the implementation of various Gol-funded projects for the distribution of electricity to end-users, such as the Accelerated Power Development and Reform Programme (“APDRP”) in urban and semi-urban areas and the Rajiv Gandhi Grameen Vidhyutikaran Yojana (the “RGVY”) in rural areas.



During Fiscal 2008, the company had submitted an Expression of Interest to the Power Sector Assets and Liabilities Management Corporation ("PSALM") of Philippines in respect of their invitation to bid for the privatization by way of concession of the facilities and assets of the National Transmission Corporation of the Philippines. POWERGRID, along with the local partners viz. M/s Citadel Holdings Inc., pre-qualified to participate in the bidding process. However, as the due-diligence process was underway, M/s Actis. U.K., the financial partner proposed additionally, withdrew from the bidding process and the consortium in which POWERGRID was a partner did not submit the financial bid.

- Your company has also diversified into the telecommunication business, by creating a telecommunication network mainly using our overhead transmission infrastructure. We own and operate a fibre-optic cable network over 19,000 kilometres long and connected over 60 Indian cities, including all major metropolitan areas. We have been leasing bandwidth on this network to more than 60 customers, including major telecom operators such as Bharat Sanchar Nigam Limited, Videsh Sanchar Nigam Limited, Tata Teleservices Limited, Reliance Communications Limited and Bharti Airtel Limited.
- On the commercial front, under the Securitization Scheme, out of the total securitization dues of Rs.2105crore, Bonds of Rs.87.73crore (for DESU period), are pending for issuance. During 2007-08, bonds worth Rs.239.89crore have been redeemed by the SEBs including full redemption from Karnataka and Tamil Nadu and part redemption from Rajasthan. In addition, Rs.15.43 crore has been received against long term advances from Delhi (Delhi Vidut Board).

POWERGRID has realized almost 100% of its Transmission Charges during the Year 2007-08. Till 31<sup>st</sup> March, 2008 the Company has realized Rs.4503crore against the actual billing of Rs.4504crore, a collection of 99.97%. Post securitization, dues of (from 1.10.01 to 31.03.08) Rs.4.14 crore are outstanding and these dues are from Meghalaya. Further, during the year 2007-08, the LC Coverage went upto Rs.280.03 crore as against Rs.260.57crore during the year 2006-07.

- 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. From 1994 to 1996, POWERGRID took over the operation of all five of the country's existing RLDCs in a phased manner. The Assets of RLDCs are being used by the Company pending transfer of ownership and determination of cost of assets so taken over. Keeping in view the necessity of load despatch in real time with reliability and security on an economical basis, POWERGRID modernised the existing five RLDCs and state load despatch centres and their communication networks, down to the level of individual sub-stations. It undertook and completed this work under ("Unified Load Despatch and Communication) ULDC Project. POWERGRID is also setting up National Load Despatch Centre (NLDC). The Ministry of Power has in July, 2008 with the approval of Competent Authority advised your Company to set up a wholly owned subsidiary Company of POWERGRID responsible for independent system operation with separate accounting and Board structure. This subsidiary company will be gradually made independent from Power Grid Corporation of India Ltd., at the appropriate time.

POWERGRID Board has on 12.07.08 granted "in-principle" approval to the setting up of a wholly- owned subsidiary company of POWERGRID responsible for Independent Power System Operation in line with the advice of GOI, on the arrangement of the operation of national and regional load dispatch Centres, received by POWERGRID. Further steps and action in this regard will be taken up by your Company.

### Overcoming Construction Challenges

POWERGRID would be implementing major quantum of works towards transmission development in the next 5-6 years. In addition, many projects under consultancy assignments are being executed. These entail multi-dimensional 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:

#### ● Route Alignment & Detailed Survey Using Modern Techniques

The route alignment and detailed survey of transmission lines is being carried out after examining various alternatives with the help of latest GIS techniques using Satellite imagery obtained from NRSA (National Remote Sensing Agency) and topographic maps from Survey of India. As a result of the updated/latest information, details available through Satellite images, optimal selection of transmission line route involving minimal environmental impact is possible.



Further, various details, constraints related to the line route like topographical and geotechnical details, forest & environmental constraints etc. are obtained in advance so that a secure and reliable system is designed and necessary engineering aspects are taken care of before execution. Elaborate definition of the project through surveys in advance also facilitate preparation of realistic bill of quantities for tendering, identification of appropriate strategies for project execution, scheduling & cost optimization.

- **Vendor Development Programme**

Considering the large number of transmission systems planned for XI and XII Five Year Plans, activities for development of additional indigenous manufacturers for various components having long production cycle such as conductor, transformer, reactor etc. and more erection contractors for substations, have been initiated. The increased vendor base shall help in meeting the targets in a time bound and cost effective manner.

A large number of sub-vendors were developed and added in POWERGRID's Compendium of Suppliers during the year 2007-08 for POWERGRID projects as well as for RE/DMS projects being executed by POWERGRID for different states.

- **Towards Standardisation**

POWERGRID has given thrust on standardisation of the repetitive and package-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. The standardisation of designs/drawings/type testing has helped in minimizing post award engineering activities for regular packages.

- **Forest Clearances**

Forest clearance under Forest (Conservation) Act 1980 is a prerequisite for starting construction in forest area. Such clearances are issued after Forest advisory Committee (FAC) of Ministry of Environment & forests (MOEF) review & recommend proposal for approval of Hon'ble Minister of Environment and Forests. However in Oct.'06 Hon'ble Supreme Court (SC) had stayed the constitution of Forest Advisory Committee (FAC). Hence, no forest proposal was processed for approval in the absence of FAC. POWERGRID had moved to SC in Jan, '07 with a request for vacating its stay as many projects of National importance were getting delayed due to non availability of forest clearance. Supreme Court after detailed deliberation during 3 hearings on POWERGRID application has vacated the stay vide its order dated 27.04.07 but put an extra condition that all recommendations of FAC shall be put up to Supreme Court through Central Empowered Committee(CEC) and only after permission of Supreme Court forest clearance shall be processed/issued by the MOEF.

POWERGRID has been continuously striving to get timely clearance from CEC and Supreme Court. Through our relentless efforts we were able to get the forest clearance for 773.84 Ha. of forest involved in many important transmission system e.g. Ranchi-Sipat, RAPP'C'- Kota, Parvati II- Koldam etc.

This initiative of POWERGRID and constant follow up has saved many projects from getting delayed and we were able to achieve the target completion date with minimum delay.

- **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, dynamic contact resistance measurement, software based interpretation techniques & Reliability Centered Maintenance(RCM) etc. to pre-empt the transmission element failure and take corrective actions in time.

#### **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, earlier envisaged to be implemented through Joint Venture Route. Projects B and C comprise of transmission lines in the State of Maharashtra and Gujarat, respectively. The Implementation Agreements have been signed on 23.11.07 with the Developer of the projects viz. Reliance Energy Transmission Limited. The Company has applied for Transmission Licence to CERC on 04.03.08.





### 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 Management and Performance:

During the Fiscal 2008, the grid performance remained improved due to Availability Based Tariff, Free Governor Mode of Operation of generating units, various inter-regional links, RLDC having State-of-the Art technology and manning of RLDCs by skilled and experienced personnel. The state-of-the-art Unified Load Despatch & Communication Scheme (ULDC), implemented by POWERGRID, are operational in all the five Regions. For overall co-ordination, National Load Despatch Centre (NLDC) at Delhi with back-up at Kolkatta is being made functional.

There has been no major grid disturbance in any part of the Country during the last 5½ 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. The frequency profile of the system is a clear indicator of the load-generation balance in the Regions.

System availability has been maintained at 99.65% during Fiscal 2008.

### 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 2007-08 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 in place as per clause 49.

### Comparison of Fiscal 2008 to Fiscal 2007

Your company's total income in Fiscal 2008 was Rs.5081.53crore, which represented an increase of 24.03% over the total income of Rs. 4097.15crore in Fiscal 2007. In Fiscal 2008, transmission and transmission-related activities constituted 83.46% of our total income, with the balance coming from our consultancy, telecommunication businesses and other incomes.

### Income

Revenue from Operations

(Rs. in crore)

Revenue from Operations	Fiscal 2008	Fiscal 2007
Revenue from transmission charges	4188.52	3248.00
Transmission income from short term open access	52.73	38.75
Consultancy fees	250.04	226.00
Revenue from telecom	123.53	77.10
<b>Total</b>	<b>4614.82</b>	3589.85



The revenue was higher in Fiscal 2008 as compared to Fiscal 2007 mainly on account of the commissioning of new transmission assets worth Rs.5958.19 crore and full year impact of transmission assets worth Rs. 3142.87 crore commissioned during fiscal 2007 including the major projects 765 kV S/C BINA (PG) - GWALIOR 235 KM; 400 kV Kahalgaon-Patna Line I & II; 400 kV Balia-Lucknow CKT-I & II, 400 kV Balia-Mau CKT-I, 400 kV D/C Patna-Balia Line including Associated Bays at Patna-Balia; Maithon - Ranchi with Sub-station at Ranchi; 400 kV D/C Lucknow-Bareilly CKT-I & II Transmission Line alongwith Associated Bays; CKT-I of 400 kV D/C Biharsharif-Balia (KH II) from ER-I; Bina-Nagda; 765 kV Sipat-Seoni CKT-I; CKT-II at Nagda Dehgam. The projects commissioned in Fiscal 2008 have generated revenue from the date of commercial operation during the year.

## **FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

### **Tariff norms**

Our charges for transmission customers are governed by tariffs norms determined by the Central Electricity Regulatory Commission ("CERC") pursuant to central government tariff policy and legislation. Under the current tariff regulations, we are permitted to charge our customers fixed annual transmission charges ("ATC") which include components for return on equity, interest on outstanding debt, depreciation, advance against depreciation, operation and maintenance expenditure and interest on working capital. In addition, tariffs allow us to recover income tax we pay with respect to our transmission business and foreign exchange rate variation ("FERV") in respect of our foreign currency loans. We are also provided with an incentive if the availability of our transmission network is above 98% in respect of alternating current systems and above 95% in respect of HVDC systems, and penalized if the availability of our network is below 98% or 95%, respectively. The present tariff norms prescribed by CERC are applicable to all the tariffs we are awarded during the period from April 1, 2004 until March 31, 2009.

For the States of Assam, Tripura, Meghalaya, Manipur, Arunachal Pradesh, Mizoram and Nagaland in the North-Eastern Region, the tariff was based on the Uniform Common Pool Transmission Tariff (UCPTT) agreement @ 35 paise per unit which was being distributed between the owners of transmission assets forming the common pool on pro-rata basis to the capital cost of the assets of each entity. The sharing formula fixed by CERC was challenged with the Appellate Tribunal for Electricity.

The Appellate Tribunal vide their order dated 4<sup>th</sup> January, 2008 has observed that the sharing of UCPTT revenue should be based on the actual capital cost of the transmission assets of different Transmission Utilities in NER. Whenever, there is a change in the composition of the shares of the different Transmission Utilities in the assets/capital cost, sharing formula should be revised. The Appellate Tribunal has also allowed the appeal of POWERGRID in so far as applicability of revised sharing formula from February, 2000. Further, CERC notified that tariff in the North-Eastern Region (NER) shall be on cost plus basis w.e.f. 01.04.2007 as applicable in the other states of India.

The methodology followed for the tariff for the blocks of 1992-97 and 1997-2001, had resulted in depletion of equity by about Rs.646crore for assets under commercial operation up to 31.3.1997. Govt. of India vide Order dated 16<sup>th</sup> February, 2005 had directed the company to approach CERC for fixation of tariff after restoration of depleted equity of Rs.646crore. CERC vide Order dated 11<sup>th</sup> May, 2005 had rejected the company's petition in the aforesaid matter, against which an Appeal was filed with the Hon'ble Appellate Tribunal for Electricity (ATE). The order of the CERC has been set aside by the Hon'ble Tribunal vide its order dated 16<sup>th</sup> May 2006, and has remitted the matter to CERC for re-determination of tariff w.e.f 01<sup>st</sup> April 2004. Some of the beneficiaries had filed stay petitions and appeals against the aforesaid order before Hon'ble Supreme Court of India. The Hon'ble Supreme Court of India has not granted the stay of orders passed by ATE. During the year, CERC in accordance with directions of ATE has notified revised tariff considering the above matter for the block period 2004-09. Accordingly the arrears of transmission income of Rs.231.60crore has been recognized during the year.

Upto 31.03.2004, as per CERC norms FERV is to be capitalised with notional funding of Debt and Equity for the purpose of tariff. On the debt portion, interest on loan will be allowed whereas equity portion will be considered for return on equity and reimbursement of depreciation for the purpose of tariff. Some of the beneficiaries appealed against the above provision before the Appellate Tribunal for Electricity. The Appellate Tribunal vide Orders dated 04<sup>th</sup> October, 2006 and 22<sup>nd</sup> December, 2006 allowed capitalisation of entire FERV through notional debt only. Capitalisation of FERV through notional equity was not allowed. The company has filed an appeal before the Hon'ble Supreme Court of India against disallowance of notional equity funding by Appellate Tribunal. CERC, subject to the decision of the Supreme Court in the matter, has revised transmission tariff during the year for the periods from 2001-04 and 2004-09 in accordance with





the directions of Appellate Tribunal. Accordingly during the year transmission income has been reduced by Rs.105.92 crore relating to earlier years following the deployment of FERV.

Further, as per the Tariff Policy issued on 6<sup>th</sup> January, 2006, Central Electricity Regulatory Commission (CERC) shall be guided by the Tariff Policy while specifying the terms and conditions for the determination of tariff. 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.

### Short Term Open Access

One of the goals of the Electricity Act, 2003 is to provide electricity generators and users with open access to electric power transmission systems on a non-discriminatory basis, when capacity is available and such access will not disrupt regular fixed charge access or network operation. Our portion of revenue from the short term open access charge is accounted for as revenue from operations. As RLDC, we also charge short term open access customers a separate fee for the scheduling of their access through the relevant load dispatch centres. There has been an increase in Transmission income from short term open access, Rs.38.75crore in Fiscal 2007 to Rs.52.73crore in Fiscal 2008, an increase of 36% over Fiscal 2007.

### Revenue from Other Services

Your company also earns revenue from consultancy (including for project management and supervision services) and from our telecommunication business. Our consultancy income mainly consists of fees from work under the APDRP and the RGGVY, the execution of transmission and communication system related projects on a turnkey basis and technical consulting assignments for Indian state utilities and utilities in other countries. Increase in consultancy revenue from Rs.226.00crore in Fiscal 2007 to Rs. 250.04crore in Fiscal 2008 also contributed to your company's higher revenues. The Telecom revenue also grew by 60.2% over Fiscal 2007.

The revenue from our telecommunication business is mainly on account of leasing bandwidth of our fibre-optic lines.

### Provisions Written Back

The provisions written back were Rs.8.39crore in Fiscal 2008, as against Rs.133.43 crore (includes Provision Written Back of Rs.130.99crore in respect of CANFINA matter in 2006-07) in Fiscal 2007.

### Other Income

Your company's other income was Rs.458.32crore in Fiscal 2008, an increase of 22.59% over the other income of Rs.373.87crore in Fiscal 2007.

(Rs. in Crore)

Other Income	Fiscal 2008	Fiscal 2007
Dividend on trade investments	5.39	1.2
Interest income – bonds and long term advances	149.99	173.24
Interest income – banks/others	108.59	87.74*
Profit on sale of fixed assets	6.14	0.05
Deferred income (transfers from grants in aid)	17.65	17.67
Operational charges in respect of short term open access	21.11	17.59
Transfer from insurance reserves on a/c of loss of fixed assets	1.65	NIL
Lease income from state sector ULDC upgrades	66.54	56.08
Reimbursement from joint venture companies/IPTC companies	19.46	NIL
Surcharge on late payment from customers	0.24	5.16



Other Income	<b>Fiscal 2008</b>	Fiscal 2007
Hire charges for equipment	<b>0.39</b>	0.53
FERV gain	<b>42.96</b>	NIL
Miscellaneous income	<b>36.63</b>	28.80
Total Other Income	<b>476.74</b>	388.06
Less: Transfer to incidental expenditure during construction	<b>18.42</b>	14.19
Total Net Other Income	<b>458.32</b>	373.87

\*(including Rs.61.09crore for CANFINA Bonds)

The other income increased mainly because of an increase in lease income from state sector ULDCs from Rs.56.08crore in Fiscal 2007 to Rs.66.54crore in the Fiscal 2008, on account of receipt of arrears towards additional capitalization; FERV gain of Rs.42.96crore due to change in accounting treatment of FERV (refer Notes on Accounts No. 21 to 23) and amount recoverable from JV/IPTC Companies for consultancy services.

### Expenditures

Your company's total expenditures were Rs.3168.94crore in Fiscal 2008, an increase of 20.75% over the total expenditures of Rs.2624.43crore in Fiscal 2007. The total expenditures as a percentage of total income were 62.36% in Fiscal 2008 compared to 64.06% in Fiscal 2007.

### Employees' Remuneration and Benefits

Employees' remuneration and benefits expenses include salaries and wages, incentives, allowances, benefits, contributions to provident and other funds and welfare expenses.

Your company had 7,645 employees on our payroll as of March 31, 2008, compared to 7427 employees as of March 31, 2007. Employees' remuneration and other benefits increased by 53.17% to Rs.519.06crore in Fiscal 2008 from Rs.338.88crore in Fiscal 2007. The increase is due to an increase in the number of employees, increase in Dearness allowance, higher incentives paid to employees provisions of Rs.193.18crore made for wage and salary revision which will be backdated to January 1, 2007 when it is finally implemented. The increase is also partially the result of the capitalization of transmission assets worth Rs.5958.19crore in Fiscal 2008 because employee remuneration that was earlier capitalized during the construction of the project is now treated as an operating expense subsequent to the commissioning of the project. Employees' remuneration and benefits represented 10.21 % of our total income in Fiscal 2008.

### Transmission, Administration and Other Expenses

Transmission, administration and other expenses consist primarily of costs of the repair and maintenance of buildings, plant and machinery and power charges. Other items in this category include expenditures for travel, security, vehicle hire charges, insurance, rent rates and taxes on our properties.

Transmission, administration and other expenses increased by 11.35% to Rs. 341.42crore in Fiscal 2008 from Rs.306.62crore in Fiscal 2007. The increase is on account of the capitalisation of transmission assets worth Rs.5958.19crore in Fiscal 2008 as certain expenses that were earlier being capitalized during the construction of the project are now treated as an operating expense subsequent to the commissioning of the project.

### Depreciation

During the year, the company has provided depreciation at the rates notified for the purpose of recovery of tariff by Central Electricity Regulatory Commission empowered under The Electricity Act, 2003. Currently, the technical life of each depreciable asset class, as prescribed by CERC, is as follows:

- transmission lines – 35 years
- substations – 25 years
- buildings and civil works – 50 years
- power line carrier communications (PLCC) – 15 years.





We depreciate the assets of our consultancy and telecom businesses on the straight line method as per rates specified in Schedule XIV of the Companies Act, 1956.

The issue of charging depreciation had been referred by CAG to the Ministry of Power (MOP). MOP has issued Tariff Policy on 6<sup>th</sup> January, 2006 which provides that rates of depreciation notified by CERC would be applicable for the purpose of tariffs as well as for 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. By charging depreciation at the aforesaid rates the depreciation charge for the year is lower by Rs.625.88crore (previous year Rs.498.01crore) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956 (refer Notes on Accounts No. 17).

Your company's depreciation increased by 15.96% to Rs.959.65crore in Fiscal 2008 from Rs.827.58crore in Fiscal 2007. The increase was mainly because of the commissioning of new transmission assets worth Rs.5958.19crore and full-year impact in Fiscal 2008 of transmission assets which were commissioned during Fiscal 2007.

#### Interest and Finance Charges

Interest and finance charges increased by 17.46 % to Rs.1339.55crore in Fiscal 2008 from Rs.1140.42crore in Fiscal 2007. The increase was mainly because of the commissioning of new transmission assets worth Rs.5958.19crore and full-year impact in Fiscal 2008 of transmission assets which were commissioned during Fiscal 2007.

These charges include rebates to state power utilities amounting to Rs.67.64crore on account of prompt payment and guarantee fees of Rs.61.57crore payable to the GoI for giving guarantees to the lenders of our foreign currency loans.

#### Deferred Revenue Expenditure Written Off

Deferred revenue expenditure written off decreased by 33.70% to Rs.5.43crore in Fiscal 2008 from Rs.8.19crore in Fiscal 2007. This decrease was on account that it was the last year (fifth year) of amortization of expenditure for certain projects (refer Accounting Policy No. 12).

#### Profit before Tax

Your company's profit before tax in Fiscal 2008 was Rs.1730.53crore, an increase of 16.77% over our profit before tax of Rs.1482.00crore in Fiscal 2007.

#### Provision for Tax

In Fiscal 2008, we provided for Rs.197.11crore of Minimum Alternate Tax, compared to Rs.134.09crore in Fiscal 2007. The increase was primarily due to the increase in our profit. Fringe benefit tax provided in Fiscal 2008 was Rs.10.50crore against Rs.8.72crore in Fiscal 2007. Fringe benefit tax and the Minimum Alternate Tax paid in respect of our transmission business is recovered through our tariffs and such amounts are accounted for as transmission income.

Provision for deferred tax is made net of amounts recoverable through our tariffs and is affected by revenues from consultancy services and Telecom.

#### Profit after Tax

Your Company's profit after tax in Fiscal 2008 was Rs. 1448.47crore, an increase of 17.82% over our profit after tax of Rs.1229.37crore in Fiscal 2007.

### LIQUIDITY AND CAPITAL RESOURCES

Your company depends on both internal and external sources of liquidity to provide working capital and to fund capital requirements. Historically, the capital expenditures have been funded with internally generated funds, grants and equity contributions by the Government and debt financing. As at March 31, 2008, your company had cash and cash equivalents of Rs.1865.59 crore. As at March 31, 2008, we also had committed and undrawn letter of credit facilities for capital requirements of approximately Rs.168.82crore, and committed and undrawn working capital facilities of approximately Rs.300crore ("cash credit").

In the past, we have also received the support of the GoI in part through equity infusions. In Fiscal 2007 the Govt. of India infused equity into the Company to the extent of Rs.200crore. In Fiscal 2008 Shares worth Rs.38.81crore were



allotted to Gol by adjusting share capital deposit of Rs.38.81 crore representing amount payable to Gol as purchase consideration for ex NHPC lines. Further, in Fiscal 2008 under the Initial Public Offering in September 2007 equity infusion in our Company was of Rs.1989.63crore (including share premium of Rs.1607.01crore).

## Cash Flows

(Rs. in crore)

	Year ended March 31,	
	2008	2007
Net cash from operating activities	<b>2,989.52</b>	4,345.77
Net cash (used in) investment activities	<b>(5,342.00)</b>	(6,735.76)
Net cash from (used in) financing activities	<b>3,021.25</b>	2,997.76
Cash and cash equivalents at the end of the year	<b>1,865.59</b>	1,196.82

### Net Cash from Operating Activities

Your company's net cash flows from operating activities are principally used to service long-term debt, for capital expenditures, for investments and for dividends.

The net cash from operating activities was Rs.2989.52crore in Fiscal 2008. Changes in current assets and liabilities that had a current period cash flow impact consisted mainly of increase in working capital of Rs.1008.47crore, primarily from decrease in trade payables and increase in inventories, loans and advances, trade and other receivables and other current assets.

Your company's net cash from operating activities was Rs.4345.77crore in Fiscal 2007.

### Net Cash (Used in) Investment Activities

Your company's net cash used in investing activities was Rs.5342.00crore in Fiscal 2008. This reflected expenditures on fixed assets and capital work-in-progress as well as construction stores and advances paid to contractors for capital expenditure of Rs.5812.83crore, investment in joint ventures of Rs.10.35crore and receipt of interest and dividend income of Rs.155.38crore.

Your company's net cash used in investing activities was Rs.6735.76crore in Fiscal 2007.

### Net Cash from (Used in) Financing Activities

In Fiscal 2008, your company's net cash flow from financing activities was Rs.3021.25crore. Your company raised Rs.4868.71crore of new borrowings. These borrowings included principally Rupee denominated bonds and foreign currency borrowings. The company repaid Rs.1930.73crore of borrowings and paid interest of Rs.1339.55crore. In the Fiscal 2007, we paid dividends of Rs.464.28crore comprising final dividend for Fiscal 2007 and an interim dividend for Fiscal 2008. Under Gol guidelines applicable to government companies generally, dividend is payable at a rate of 20% of profit after tax or 20% of share capital, whichever is higher. The minimum dividend payout in respect of infrastructure sector companies is 30% of profit after tax.

In Fiscal 2007, our net cash flow from financing activities was Rs.2,997.76crore.

### Capital Expenditures

Your company's capital expenditures are primarily for the installation of new transmission capacity and the expansion of existing capacity. Our capital expenditure in Fiscal 2008 were Rs.6615crore. Capital expenditure budget for Fiscal 2009 has been approved for Rs.8040crore. Your company's capital expenditure budgets are subject to modification as a result of a variety of factors, changes to expansion plans and similar other factors.

### Return on Equity

The return on equity that we are generally permitted on transmission assets under our tariffs is 14%. Our actual return on equity from period to period across our entire business is 10.73%, for a number of reasons. For instance, we have significant funds under capital work-in-progress, which do not earn return until the associated transmission projects commence operations. The IPO proceeds, raised during Fiscal 2007, are being deployed in 15 identified construction projects



and will be giving returns after the commissioning of the said projects. When there is a delay in the commencement of operations of a project, whether caused by us or caused by a delay in the generation project from which our transmission project is to draw power, the time during which no return on equity is earned increases. In addition, the SEB bonds that we hold under the One Time Settlement earn a maximum of 8.5% per annum.

### Selected Balance Sheet Items

#### Fixed Assets

Your company's total fixed assets after depreciation were Rs.27,355.20crore and Rs.21,816.07crore as at March 31, 2008 and 2007 respectively. Our fixed assets consist of plant and machinery such as transmission lines, substations, HVDC and ULDC equipment and other transmission equipment; buildings; land; office equipment; fixtures; and motor vehicles. Fixed assets value (Net Block) increased by 25.39% in Fiscal 2008 as compared to Fiscal 2007. These increases are mainly due to the commissioning of new transmission assets.

#### Capital Work-in-Progress and Construction Stores and Advances

Your company's capital work-in-progress was Rs.5305.41crore and Rs.6068.85 crore, as at March 31, 2008 and 2007, respectively. The cost of materials consumed, erection charges and other expenses incurred for the implementation of projects are shown on the balance sheet as capital work-in-progress, pending capitalization of the completed project. The change in this amount is due to capitalization of a number of transmission projects on commissioning of these projects and due to undertaking of new transmission projects. Construction stores and advances were Rs.3452.68crore and Rs.3371.54crore as at March 31, 2008 and 2007, respectively. These amounts represent the new as well as ongoing capital expenditure on transmission assets. The increase in these amounts is mainly due to the undertaking of new transmission projects.

#### Investments

Your company's investments mainly consist of bonds issued by the SEBs as part of the One Time Settlement. We have also invested Rs.12crore in equity shares of PTC India Limited (the power trading company) and Rs.229.32crore in Powerlinks Transmission Limited (the joint venture between us and The Tata Power Company Limited through which the Tala Transmission Project was constructed), Rs.7.81crore in Torrent Power Grid Limited, Rs.2.60crore in Jaypee Powergrid Limited. Our total investments were Rs.1736.22 crore and Rs.1967.00crore as at March 31, 2008 and 2007, respectively.

#### Loans and Advances

Your company's total loans and advances as at March 31, 2008 and 2007, were Rs.1767.30crore and Rs.1491.26crore, respectively. Loans and advances include advances under the One Time Settlement amounting to Rs.138.82crore in respect of DESU/DVB, a Delhi utility, loans to employees, lease receivables (representing certain capital expenditures made by the company in respect of the state sector ULDCs of all five regions, for which the constituents of those regions are reimbursing the company on a finance lease basis), loans and advances to contractors, advance income tax, TDS and other deposits with tax authorities. The increase in loans and advances from Fiscal 2008 to Fiscal 2007 was principally due to increase in advances to employees, advance tax and TDS. In respect of advance tax, the assessment for the previous year income tax cases has been completed and against the demands, the company has gone to Income Tax Appellate Tribunal and decision is awaited.

#### Other Current Assets

Our other current assets as at March 31, 2008, 2007 respectively, were Rs.395.17 crore and Rs.147.03crore. Other current assets mainly include interest accrued on investments under the One Time Settlement and interest accrued on employee loans.

Other current assets increased by 168.77% in Fiscal 2008 as compared to Fiscal 2007 due to accounting of deferred expenditure in respect of FERV in other current assets in view of Change of accounting treatment detailed at Sl. No. 21 to 23 of Notes on Accounts.

#### Inventories

Inventories are valued at cost on a weighted average basis. The costs of inventories were Rs.248.22crore, as at March 31, 2008. Our inventories consists of transmission line items such as tower parts, conductors, insulators and other items, and substation items such as transformers, circuit breakers, ICTs and other items. The cost of our inventories increased in Fiscal 2008 as compared with Fiscal 2007, on account of your company continuing to expand the transmission network and capitalization of new projects.





## Sundry Debtors

Sundry debtors consist mainly of receivables relating to transmission services, and also receivables from consultancy services and telecom services. Our sundry debtors amounts as on March 31, 2008 and 2007 were Rs.1100.50 crore and Rs.490.48crore, respectively. Sundry debtors increased by 124.37% in Fiscal 2008 as compared to Fiscal 2007. The increase from Fiscal 2007 to Fiscal 2008 was mainly due to time lags between the provision and accounting of transmission services on certain new projects on accrual basis and the formal notification by CERC of the tariffs relating to those projects in Fiscal 2008 and to some extent due to accounting of certain items of incremented income on account of income tax and other taxes on an accrual basis.

We can recognize certain tariff components that are chargeable on a pass-through/recoverable basis as income, such as income tax and foreign exchange rate variations, without waiting for final tariff notifications. However, other tariff components, such as incentive amounts, are booked as income on a provisional basis based on certification of availability by the relevant Regional Power Committee until final tariff notification is received from CERC.

Substantially all of our receivables are covered by letters of credit pursuant to the One Time Settlement Scheme, following which we have no material debt collection problems.

The comparison of actuals with Financial MOU targets is given below:-

MOU Parameters	MOU 2007-08	Actual 2007-08
Gross Sales (Rs. crore)	4557.00	5081.53
Gross Margin (Rs. crore)	3909.00	4217.22
Net Profit/Net worth (%)	11.69%	10.73%*
Gross Margin/Gross Block	10.40%	11.91%
Gross Profit/Capital Employed (%)	11.07%	12.01%
PBDIT/Total employment (Rs. in lakhs)	49.19	55.26
Inventory/Gross Block(%)	1.00%	0.70%
Added value/Gross Sales (%)	28.89%	32.68%

\* The net profit to Net Worth ratio for 2007-08 is 10.73% against MOU target of 11.69%. While formulating the MOU targets, the IPO proceeds were not considered. The IPO proceeds, raised during 2007-08, are being deployed in 15 identified construction projects and will be giving returns after the commissioning of the said projects.

## Indebtedness

We rely on both Rupee and foreign currency denominated borrowings. A significant part of our external funding has been through long-term foreign currency loans from multilateral agencies such as the World Bank and the Asian Development Bank, with our performance under such loans guaranteed by the GoI.

The following table sets forth, by currency, our outstanding debt and the periods during which debt amounts mature or payment is otherwise due. Currency conversions are as of 31<sup>st</sup> March, 2008:

(Rs. in crore)

Currency	2008-09	2009-10	2010-11	2011-12	Beyond 2011-12	Total
RUPEES	738.22	920.57	1269.79	1500.54	10078.19	14507.31
US\$	266.76	297.24	330.73	414.79	4555.67	5865.19
EUR	21.24	22.19	23.02	23.90	139.05	229.40
SEK	17.91	17.91	17.91	17.91	89.56	161.20
CHF	111.08	111.08	111.08	111.08	166.62	610.94
JPY	7.34	7.34	7.34	7.34	110.08	139.44

## Secured Loans

Your company's secured loans as at March 31, 2008 and 2007 were Rs.17552.13 crore and Rs.13053.30crore, respectively. Secured loans include amounts raised from our private placement of bonds, term loans from banks, loans from the International Bank for Reconstruction and Development, Asian Development Bank and Bank of India. Due to the increased investment in new projects during the last year, our borrowings have increased substantially.



Most of the secured loans have been secured by floating charges on the moveable and immoveable properties of the Company. The following table presents the secured debt as at 31<sup>st</sup> March, 2008:

	Amount (Rs. in crore)	% of total secured debt
Bonds denominated in Rupees	10488.81	59.76
Other Loans and Advances From Banks and Financial Institutions:		
Denominated in Foreign Currency*	5,858.81	33.38
Denominated in Rupees	1204.51	6.86
Total	17552.13	100

\*Loans guaranteed by the Government were Rs. 5,541.52crore.

#### Unsecured Loans

Our unsecured loans as at March 31, 2008 and 2007 were Rs.4711.35 crore and Rs.6272.20 crore. Unsecured loans mainly include loans from foreign financial institutions such as the European Investment Bank, Kreditanstalt Fur Wiederaufbau in Germany and Scandinavia Enskilda Bank in Sweden and term loans from the Power Finance Corporation and short term loans from Banks.

The following table presents our unsecured debt as at March 31, 2008:

	Amount (Rs. in crore)	% of total unsecured debt
Bonds denominated in Rupees	2769.00	58.77
Other Loans and Advances From Banks and Financial Institutions:		
Denominated in Foreign Currency*	1147.35	24.35
Denominated in Rupees	795.00	16.88
Total	4711.35	100

\*Loans guaranteed by the Government were Rs. 375.20 crore.

#### Advance Against Depreciation (AAD)

Advance against depreciation is a component of tariff that we are permitted to charge under CERC regulations. Our loans are generally of shorter duration compared to the technical life of our assets. Amounts paid to us in respect of depreciation on such assets are generally insufficient to cover our repayment of debts in respect of such assets. Therefore, advances against depreciation allows us to cover such shortfall. AAD is calculated assuming a 10-year loan repayment schedule or actual repayment schedule, whichever is longer. AAD is accounted for as an advance until the tenure of the loan. Subsequent to repayment of the loan, AAD is transferred to income on a pro-rata basis for the remaining useful life of the asset. Definition of useful life of the asset is governed by CERC regulations.

#### Current Liabilities

Your company's current liabilities as at 31<sup>st</sup> March, 2008 were Rs. 3672.39 crore. The current liabilities include sundry creditors, advances from customers, security deposits, retention money withheld by us and other liabilities.

Current liabilities were 8.23% lower at March 31, 2008 compared to March 31, 2007. These fluctuations are mainly due to the commissioning of particular projects at different times of the year in different fiscal years. When projects are commissioned, the liabilities relating to them are capitalized. If commissioning occurs in the early part of a fiscal year, the related liabilities are usually paid before the end of the fiscal year. In fiscal years when current liabilities are higher, there tends to be more projects commissioned toward the end of the fiscal year, whose related liabilities have not been paid by the end of the fiscal year. Variations in the amounts of advances received under consultancy contracts also result in current liability fluctuations.



## Contingent Liabilities

The following table sets forth the principal components of our contingent liabilities as at March 31, 2008 and 2007:

(Rs. in crore)

	March 31, 2008	March 31, 2007
Claims against the Company Not Acknowledged as Debt in respect of Arbitration/ Court Cases	1117.31	205.18
Land/Crop/Tree Compensation Cases	545.24	453.49
Others	34.74	25.54
Disputed Tax Demands -Income Tax	69.36	40.25
Disputed Tax Demands – Others	189.67	169.12
Continuity Bonds with Custom Authorities	837.50	981.54
Others	113.50	75.26
Total	2907.32	1950.38

Contingent liabilities increased by 49.06% in Fiscal 2008 compared to Fiscal 2007.

The increase was mainly due to inclusion of an amount of Rs. 973.41 crore in the Contingent Liability for the Fiscal 2008 in respect of arbitration cases. An amount of Rs.915.70crore in respect of the two arbitration cases between POWERGRID and Bhanu Construction Company inherited from NTPC during 1992-93 has been included in the Contingent Liability during the year. The above two cases were decided by Delhi High Court in favour of POWERGRID in the Fiscal 2007 and accordingly contingent liability in respect of these cases was withdrawn during the year ended 31/03/2007. In Fiscal 2008, the party has filed an appeal in Supreme Court against the order of Delhi High Court and therefore the amount has again been included under contingent liability.

## BUSINESS AND FINANCIAL REVIEW OF JOINT VENTURE COMPANIES:

### A) PTC India Limited (PTC):

#### ● Main Objective and Capital Structure

The main objective of the Company includes trading of power, import/export of power and purchase of power from identified private power projects and sell to identified SEBs/others.

As on 31.03.2008, PTC has Authorized Share Capital of Rs.750,00,00,000 and paid-up capital of Rs.2,27,41,90,000/-. The promoters i.e. POWERGRID, NTPC, PFC Limited and NHPC Ltd. individually hold 5.28% each or 21.12% collectively of the paid-up equity and subscribed share capital of the Company and the balance of 78.88% of the equity paid-up and subscribed share capital is held by Power Entities, Financial Institutions, Insurance Companies, Banking Institutions, Corporations, Investment Companies, Foreign Institutional Investors, Private Utilities and others including general public at large. The equity shares of the Company are listed on 'Bombay Stock Exchange Limited' (BSE) and 'National Stock Exchange of India Ltd.' (NSE).

#### ● Financial Highlights of the Company:

(Rs. in crore)

Particulars	Fiscal 2008	Fiscal 2007
POWERGRID's investment in Equity	12.00	12.00
Gross Income	3949.31	3785.95
Profit after Tax	48.71	35.10
Earning per Share*	2.93	2.34

\*Face value per Share is Rs.10/- each.

The Board of PTC has recommended a dividend of 10% for Fiscal 2008.





**B) Powerlinks Transmission Limited (POWERLINKS):**

- Main Objective and Capital Structure**

The Company was incorporated to undertake the implementation of Transmission Lines associated with Tala HEP, East-North interconnector and Northern Region Transmission System. This was POWERGRID's first public - private partnership in Power Transmission. POWERGRID and TATA POWER are the Joint Venture Partners in this Joint Venture Company and hold 49% and 51% equity, respectively. As on 31.03.2008, POWERLINKS has Authorized Share Capital of Rs.4,83,60,00,000/- and paid-up capital of Rs.4,68,00,00,000/- out of which POWERGRID holds Shares of Rs.229.32crore and TATA POWER hold shares of Rs.238.68crore.

POWERLINKS has successfully commissioned of the project in August, 2006. The Board of POWERLINKS has recommended a dividend of 8% for Fiscal 2008.

- Financial Highlights of the Company:**

(Rs. in crore)

Particulars	Fiscal 2008	Fiscal 2007
POWERGRID's investment in Equity	229.32	229.32
Gross Income	255.29	138.45
Profit after Tax	58.41	20.57
Earning per Share*	1.25	0.47

\*Face value per Share is Rs.10/- each.

**c) JAYPEE POWERGRID Limited (JPL):**

- Main Objective and Capital Structure**

The main objective of the Company is to implement a transmission system to evacuate power to be generated by 1000 MW Karcham Wangtoo Hydro Electric Power Project in Kinnaur District in Himachal Pradesh. The power under the system is to be evacuated from Wangtoo to Abdullapur. As on 31.03.2008, JPL has Authorized Share Capital of Rs. 300 crores and paid-up capital of Rs.10 crore divided into 100,00,000 equity shares of Rs.10 each. The promoters i.e. Jaiprakash Hydro Power Limited, Jaiprakash Power Ventures Limited and POWERGRID individually holds 51%, 23% and 26%, respectively. Since the project is under implementation, the income statement is not prepared.

**D) Torrent Powergrid Limited (TPL):**

- Main Objective and Capital Structure**

The main objective of the Company is to establish transmission system associated with 1100MW Gas Based project being implemented by Torrent Power Generation Ltd. (TPGL) at Akhakhol in Surat District of Gujarat. POWERGRID and Torrent Power Transmission Private Ltd. are the Joint Venture Partners in this Company and hold 26% and 74% equity, respectively. As on 31.03.2008, TPL has Authorized Share Capital of Rs.125 crore and paid-up capital of Rs.30,02,50,000/-. Since the project is under implementation, the income statement is not prepared.

**E) Parbati Koldam Transmission Company Limited**

POWERGRID entered into a Joint Venture Agreement on 23rd November, 2007 with Reliance Energy Limited (REL) for implementation of transmission lines associated with Parbati-II (800 MW) HEP and Koldam (800 MW) HEP. The Company named 'Parbati Koldam Transmission Company Limited' existing with POWERGRID to take up implementation of Parbati and Koldam Transmission systems through Joint venture route was converted to JVC. POWERGRID holds equity of 26% and REL holds the balance 74%. The Company has applied for Transmission Licence.

**F) POWERGRID IL&FS Transmission Pvt. Ltd.:**

POWERGRID entered into a Joint Venture Agreement in January, 2008 with IL&FS for development of Intra state Transmission/ Sub-transmission projects in different states of the Country and outside India. The Joint Venture Company is named 'POWERGRID ILFS Transmission Private Limited' with shareholding pattern of 50:50 basis. The Company was incorporated on 27.11.2007.



#### **G) Byrnihat Transmission Company Limited**

POWERGRID has one subsidiary viz. Byrnihat Transmission Company Limited. The Company was incorporated on 23.03.2006 to take up implementation of Misa Byrnihat Transmission line on JV route. The said Transmission line is being executed by POWERGRID as a consultancy work. Presently, Byrnihat Transmission Company Limited is not doing any business.

#### **Cautionary Statement**

Statement in the Management Discussion and Analysis and Directors' Report describing the Company's objectives, projections and estimates, are forward-looking statements and progressive within the meaning of applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government Policies and other incidental factors. Readers are cautioned not to place undue reliance on the forward looking statements.

For and on behalf of the Board of Directors

**(S. K. Chaturvedi)**

Chairman & Managing Director

Place : New Delhi

Date : 06 August, 2008



## Annexure II to Directors Report

**PARTICULARS OF EMPLOYEES PURSUANT TO SECTION 217(2A) OF  
THE COMPANIES ACT, 1956 FOR THE YEAR 2007-08**

Sl. NO	Name	Designation	Qualification	Remuneration (Rs.)	Experience (Years)	Date of commencement of Employment	Age (Years)	Last Employment Held
<b>Employed for part of the year</b>								
1	Reena Kori	ACDE	B.E.(Civil), M.Tech (Civil)	205935	9	01.09.98	33	-
2	R.B.Mishra	Executive Director (CMG)	B.E.(Elect.)	417383	37	16.10.93	59	NTPC Ltd.
3	A.R.Agarwal	Executive Director (BDD)	B.E.(Elect.)	1923127	37	19.11.91	60	NHPC Ltd.
4	Dilip K.Das	General Manager (ESMD)	B.Sc.Engg.(Elect.)	2183508	32	16.08.91	60	NTPC Ltd.
5	Sanjay Mukoo	CDE	B.Sc.Engg.(Elect.)	877249	19	16.10.93	41	NTPC Ltd.
6	Deepak Kumar	General Manager (Telecom)	B.Sc.Engg.(Elect.)	1798982	27	21.01.91	50	NTPC Ltd.
7	A.K.Ralhan	Chief Manager (Materials)	3 Years Diploma in Elect. Engg.	1319455	35	16.08.91	60	NTPC Ltd.
8	T.C.A.Tahilyani	General Manager (BDD)	M.Sc.Engg.(Elect.)	1806969	36	19.11.91	60	NHPC Ltd.
9	Krishan Lal	Dy.General Manager (HR)	B.A(Hons.), PGDPM & IR	913083	40	01.11.91	60	NTPC Ltd.
10	A.K.Khatri	Dy.General Manager (NPMC)	Diploma in Mech. Engg.	888877	40	16.08.91	60	NTPC Ltd.
11	Surendra Singh	Addl.General Manager(ESMD)	B.E.(Elect.)	1494757	37	19.11.91	60	NHPC Ltd.
12	Ajoy Choudhury	Chief Manager(F&A)	ICWA	503150	22	19.11.91	43	NHPC Ltd.
13	S.K.Dube	Executive Director	B.E.(Elect.)	930188	38	16.08.91	59	NTPC Ltd.
14	A.Manglik	Executive Director (Finance)	B.E.(Elect.), M.E(PS), MBA(Fin.)	1470246	39	16.08.91	60	NTPC Ltd.
15	V.L.Dua	General Manager (Internal audit)	PGDBM, Diploma in Engg. (Mech.)	1671239	39	16.08.91	60	NTPC Ltd.
16	K. Anand Kumar	Addl.General Manager(O&M)	B.E(Elect.), M.E(PS)	1603691	35	16.08.91	60	NTPC 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 Gratuity/Group Insurance in accordance with Company's rules.
- 2) None of the Employees listed above is related to any of the Directors of the Company.
- 3) Remuneration Mentioned above is inclusive of retirement/ separation benefits paid during the year and is not indicative of any regular remuneration structure of employees of the Company.

For and on behalf of the Board of Directors



**(S. K. Chaturvedi)**

Chairman &amp; Managing Director

Place : New Delhi

Date : 06 August, 2008





**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 makes all out efforts for conservation of energy in all its projects - right from the planning stage till the execution. Before finalizing the transmission schemes, various alternatives for power transfer are examined and one of the major criteria in selection of final system is lower losses. In fact, POWERGRID has adopted new technologies like 765kV AC, 1200kV AC,  $\pm 500$ kV HVDC &  $\pm 800$ kV HVDC in its transmission systems which result in lower losses in the system. POWERGRID has implemented/ is implementing 765kV AC lines and  $\pm 500$ kV HVDC Bipole system for power transfer across various regions.

At design stage of the transmission system, optimization of various parameters is done so that losses in the transmission system are optimized. The conductors are selected after detailed optimization studies which consider reduction of line losses as one of the primary criteria. The bus bar materials and the clamps and connectors are chosen meeting stringent international requirements so that losses are 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. Thus, energy conservation measures are taken by POWERGRID at every step so as to develop an efficient and low-loss transmission network.

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

As stated above, POWERGRID undertakes energy conservation measures by means of reduction of losses in its transmission schemes right from planning to execution stage.

**B. RESEARCH AND DEVELOPMENT**

**1 & 2** It has been POWERGRID's endeavour to pursue the research and development efforts in the field of new technologies in transmission system to remain at par with international standards. Also, realizing the need for conservation of Right-of-Way and future requirement of development of high capacity transmission system to meet the future power requirement, POWERGRID is actively pursuing seamless integration of new and efficient technologies in Indian power Grid to create environment-friendly transmission system. POWERGRID has been according special emphasis on adoption of new technologies available around the globe for improving the quality of power supply, reduction of losses, optimum utilization of the available transmission assets, conservation of environment and optimizing upon the cost of delivered power. The company is working in collaboration with International/National research institutions, academic institutions and manufacturers, and is thus enhancing its in-house capabilities for design and engineering of state-of-the-art transmission systems.

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

**Completed Projects:**

1. 765 kV Transmission lines operated at rated voltage introduced in Indian Power System. For the first time in India, 765kV substations along with 800kV reactors and 765/400kV Transformers commissioned.
2. Enhancement of power transfer capacity of existing transmission lines through implementation of series compensation on 3 numbers transmission corridors of 400kV lines including Quad conductor lines.
3. Upgradation of Talcher-Kolar HVDC link from 2000 MW to 2500 MW.
4. India's first 400kV GIS substation completed.
5. Completed in-house design of 17 numbers towers for transmission lines which included 800 kV HVDC towers (4 Nos.) and 400kV multi-circuit towers with Quad ACSR Moose conductor (2 Nos.) and tested successfully 11 Nos. of towers including 800 kV HVDC towers (2 Nos).
6. Completed in-house design of approx. 300 nos. tower foundations for transmission lines upto 765kV including special foundations. For various transmission lines economy in foundation cost was achieved upto 25% by increasing the depth of foundation from 3 to 3.5 meter wherever feasible.
7. Indigenous development and type testing of extra high strength 320KN & 420 KN insulators for 400kV/765 kV/1200 kV AC transmission lines.



8. Performance evaluation of Polymer composite insulators which were in service for more than 6 years in POWERGRID lines.
9. Introduced High Temperature Resistant INVAR Conductor in Indian System by commissioning twin INVAR 400kV D/C line.
10. Introduction of Delta Phase Configuration Towers which reduce ROW requirement to 64 mtrs. from 85 mtrs. as against horizontal configuration, for use in 765kV lines.
11. Phase-I of Residual Life Assessment testing of 400 kV transmission lines completed.
12. Visual Remote monitoring of closing and opening operations of Isolators of unmanned substations.
13. Implementation of Controlled Switching schemes of circuit breakers for 800kV transmission lines.
14. Performance evaluation of 400kV & 220kV isolators with Indian manufacturers and development of world-class isolators for use in POWERGRID lines.
15. Shallow and deep resistivity measurements for suitability of proposed ground electrode stations for HVDC system using magneto telluric techniques.

#### Ongoing Projects

1. For development of 1200kV UHVAC Super grid, 1200 kV UHVAC test station is being established at POWERGRID substation at Bina, MP with joint efforts of POWERGRID, Indian Equipment Manufacturers and CPRI. This will facilitate the Indian Equipment Manufacturers to test their 1200 kV class equipment being developed by them. Successful testing will lead to indigenization of 1200 kV class equipment resulting in reduction in project costs.
2. High Capacity,  $\pm 800$ kV, 6000 MW HVDC multi terminal system for long distance power transfer over 2000 kms. from NER/ER to NR.
3. 2500 MW,  $\pm 500$ kV Balia – Bhiwadi HVDC Bipole with Lapwing conductor under implementation.
4. Planning of 1200kV UHVAC Super grid overlaying the existing 400/765kV system.
5. Upgradation of 400 kV GIS to 800 kV GIS at Koteswar is under implementation.
6. 800 kV Fixed Series Compensation (FSC) at Meerut is under implementation. It will be first 800 kV FSC in India.
7. Re-conductoring of existing 400kV D/C Purnea-Siliguri line with high temperature endurance conductor to enhance the capacity of the transmission corridor by about two times.
8. Development of in-house foundation and tower designs for use in on-going transmission line projects.
9. Implementation of High Surge Impedance Loading (HSIL) line.
10. 400kV Multicircuit towers to accommodate 4 circuits under implementation in forest stretches as an initiative towards Environmental Conservation.
11. Indigenous development and type testing of Polymer long Rod 120KN & 160KN AC insulators for 400kV AC transmission lines in heavily polluted areas.
12. Corona cage studies, Air Gap Insulation studies for 1200 kV transmission system.
13. Interference measurements (Electric field, Magnetic field, Audible Noise & RIV) for 765kV AC Seepat-Seoni transmission line.
14. Indigenous development and type testing of extra high strength 320 KN & 420KN HVDC insulators for  $\pm 800$ kV HVDC transmission lines.
15. Line Design & Optimisation studies including experimental tests for 1200kV AC transmission lines.
16. Study of EMI effect on Co-axial and Control Cables in association with CPRI & LRDE, Bangalore.
17. 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.
18. Several existing Substations in different Regions are being augmented for remote operation from nearby Substations so as to reduce the operation cost.
19. Development of GIS in association with Indian manufacturers.
20. Residual Life Assessment testing of substation equipment at very old POWERGRID 400kV substations at Hyderabad and Bangalore in association with CPRI / CESI.



21. Online condition monitoring systems for transformers at Mandola substation and Rihand HVDC station are being established, which will provide the real time data to detect faults at incipient stage and provide alarms in advance in case of fault in the transformers. The system will also provide the dynamic over load capacity of the transformers.
22. Uprating of short circuit current capacity of existing equipments e.g. circuit breakers etc. from 40 kA to 50 kA.
23. Measurement of synchro phasors for wide area monitoring and protection of National Grid.
24. Indigenous Development of SF6 gas filled Current Transformer with BHEL.
25. Implementation of Controlled Switching schemes of circuit breakers for 400kV transmission lines.
26. Development of Optical Instrument Transformers with CPRI/ERDA.
27. Engineering Data Integration on GIS Platform.

#### Technology Absorption :

1. POWERGRID is employing modern Survey techniques for route selection, length optimisation and estimation of BOQ for transmission lines.
2. Substation Automation with IEC 61850 protocol is being adopted for all new Substations of POWERGRID. This would result in savings in operational cost and increased operational and maintenance efficiency.
3. As a step towards National grid, 765kV AC and  $\pm 500$ kV HVDC technology has been implemented in our country. Now,  $\pm 800$ 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 pole towers, delta configuration towers and narrow based towers which reduce the space occupied by the tower base, are being used. Also tall towers and multi-circuit towers are being used for conservation of scarce right-of-way.
6. Shallow and deep resistivity measurements using magneto telluric techniques for locating ground electrode stations for HVDC system has been adopted.
7. Special insulators like polymer composite insulators have been adopted in transmission lines in polluted areas.
8. High temperature conductors like INVAR have been adopted for increasing the transfer capacity of transmission corridors.
9. GIS technology has been adopted in substations where severe space constraints exist.

#### FOREIGN EXCHANGE EARNINGS AND OUTGO

##### Foreign Exchange Earnings

	(Rupees in crore)
i. Interest	0.38
ii. Consultancy Fee	2.28
	<u>2.66</u>

##### Foreign Exchange outgo

i Capital goods and Spare Parts	243.40
ii Professional and Consultancy Fee	0.71
iii Interest	326.96
iv Others	10.69
	<u>581.76</u>

For and on behalf of the Board of Directors

(S. K. Chaturvedi)

Chairman & Managing Director

Place : New Delhi

Date : 06 August, 2008





## 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, NEW DELHI FOR THE YEAR ENDED 31ST MARCH, 2008

The preparation of financial statements of Power Grid Corporation of India Limited, New Delhi for the year ended 31 March 2008 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 18th June 2008.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956, of the financial statements of Power Grid Corporation of India Limited, New Delhi for the year ended 31st March 2008. 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 Auditors' report under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the  
**COMPTROLLER & AUDITOR GENERAL OF INDIA**

Sd/-

**(Ghazala Meenai)**

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

Place: New Delhi

Date : 31st July, 2008



## REPORT ON CORPORATE GOVERNANCE

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

### 1. THE COMPANY'S GOVERNANCE PHILOSOPHY

Corporate Governance is about promoting corporate fairness, transparency and accountability in the best interest of various stakeholders in the company. It is a system by which business corporations are directed and controlled. POWERGRID believes that good governance should entail trusteeship, empowerment and accountability of the management while remaining proactive to the Government policies. POWERGRID's Governance process is focused towards its mission of *"establishment and operation of Regional and National Power Grids to facilitate transfer of power within and across the regions with Reliability, Security and Economy on sound commercial principles"* based on the well established practices in engineering & design, contracts, project management, finance etc. which are being followed in letter and spirit and are being continually improved upon.

The Corporate Governance of POWERGRID is geared by the following:

- (i) To meet the short term, medium term & long term objectives and specific targets 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.

POWERGRID has been conferred with the status of "NAVRATNA PSE" w.e.f. 1<sup>st</sup> May, 2008 by the Government of India. POWERGRID bagged such a prestigious status in its 16<sup>th</sup> years of its commercial operations and joins the club of 16 NAVRATNA Companies.

The NAVRATNA status shall provide the Company greatest flexibility and autonomy in terms of making investment and operational decisions. Now the Board of Directors of POWERGRID may incur capital expenditure on purchase of new items or for replacement without any monetary ceiling. The ceiling on equity investment to establish joint ventures and wholly owned subsidiaries in India or abroad shall be 15% of the networth of the Company in one project limited to Rs.1000 crore. The overall ceiling on such investment in all projects put together shall be 30% of the networth of the Company.

Presently, the Board of Directors comprises of Chairman and Managing Director, Functional Directors, Govt. Nominee Directors and Non Official Part Time Directors. The rights and obligations of the employees are delineated in the policy Manuals published and the amendments are notified from time to time. The powers of the internal participants i.e. top executives and below are laid down in the well established and 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 for Bonds, Shareholders/Investors Grievance Committee, Committee on Award of Contracts etc. to have better and more focused attention. A Telecom Advisory Board of eminent persons has also been constituted in May'07 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:

### 2. BOARD OF DIRECTORS:

#### 2.1 Size of the Board

POWERGRID is a Government Company within the meaning of Section 617 of the Companies Act, 1956 and the President of India presently holds 86.36% of the total paid-up share capital. As per Articles of Association, the power to appoint Directors rests with the President of India. With the public issue made during the current financial year not less than two-thirds of the total number of directors have to be directors liable to retire by rotation and have to be appointed by the company in general meeting.



In terms of Articles of Association of the Company, the strength of our Board shall not be less than four Directors and not more than eighteen Directors. These Directors may be either whole-time Directors or part-time Directors.

## 2.2 Composition of the Board

As on 31<sup>st</sup> March, 2008, the Board Comprised nine Directors out of which three were whole time Directors including the Chairman & Managing Director, two Government nominees and four independent Directors.

Government of India has also appointed two Non-official Part-time Directors on 25.04.2008 vide MOP Order dt 25.04.2008 and another Non-official Part-time Director has joined the POWERGRID's Board w.e.f. 04.08.08 in pursuance of MOP Order dt. 23.07.08.

The equity shares of the Company were listed on 5<sup>th</sup> October, 2007 with NSE and BSE. Clause 49 I (A) of the Listing Agreements with Stock Exchanges stipulated half of the Board members to be Independent Directors. Details regarding Independent Directors on the Board of the Company during the year is as under:

Period	Requirement	Actual
1 <sup>st</sup> April, 2007 to 10 <sup>th</sup> July, 2007	5	0
10 <sup>th</sup> July, 2007 to 5 <sup>th</sup> October, 2007	5	5
5 <sup>th</sup> October, 2007 to 31 <sup>st</sup> March, 2008	5	4

On the appointment of two independent directors viz. Shri S. C. Tripathi and Shri Ashok Khanna on the Board of POWERGRID w.e.f. 25<sup>th</sup> April, 2008, the composition of POWERGRID's Board is in compliance with Clause 49 I (A) of the Listing Agreements.

## 2.3 Age Limit and Tenure of Directors

The age limit of the Chairman & Managing Director and other whole-time Directors is 60 years.

The Chairman & Managing Director and other whole-time Directors are appointed for a period of five years from the date of taking over of charge or till the date of superannuation of the incumbent or till further instruction from the Government of India, whichever event occurs earlier.

Government Nominee Directors representing Ministry of Power, Government of India retire from the Board on ceasing to be officials of the Ministry of Power.

Independent Directors have been appointed by the Government of India usually for tenure of three years.

The tenure of Directors as on 31<sup>st</sup> March, 2008 were as follows:

Details of Directors		Name	Date of Joining on the Board	Date of superannuation/ completion of Tenure	Remarks
Category (Functional/ Official/ Non-official)	Designation				
1. Whole Time Directors	Chairman & Managing Director	Dr. R. P. Singh	23.08.1997	31.07.2008	CMD, POWERGRID tendered his resignation to Ministry of Power which was accepted on 30.05.08 and relinquished the charge of CMD on 30.05.2008
	Director (Projects)	Shri S. Majumdar	27.09.2005	31.08.2009 - date of superannuation.	In pursuance of MOP Office Order dt. 30.05.08, Director (Projects) assumed the additional charge of the post of CMD w.e.f. 30.05.08 and handed over the additional charge of CMD on 01.08.08. *





Details of Directors		Designation	Name	Date of Joining on the Board	Date of superannuation/ completion of Tenure	Remarks
Category (Functional/ Official/ Non-official)						
		Director (Finance)	Shri J. Sridharan	21.12.2005	For a period of 5 years from the date of taking over charge. (Date of superannuation – 30.04.2011)	
2.	Govt. Nominees Part-time Directors	Addl. Secy., Ministry of Power	Shri G. B. Pradhan	27.11.2003	Till the President desires.	
		JS&FA, Ministry of Power	Shri Rajesh Verma	02.08.2007	Till the President desires.	
3.	Non-official Part-time Directors	Non-official Part-time Director (Independent)	Shri F.A. Vandrevala Shri Anil K. Agarwal Dr. A.S. Narag Dr. P.K. Shetty	10.07.2007 10.07.2007 10.07.2007 10.07.2007	For a period of three years with effect from the date of appointment or until further orders, which ever event occurs earlier.	Shri M. S. Kapur, former CMD, Vijaya Bank, appointed on 10.07.2007 resigned w.e.f. 05.10.2007.

\* Shri S. K. Chaturvedi has joined as Chairman and Managing Director of POWERGRID w.e.f. 01.08.2008.

## 2.4 Board Meetings and Attendance:

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

During the financial year ended 31<sup>st</sup> March, 2008, fifteen Board meetings were held on 4<sup>th</sup> May, 16<sup>th</sup> May, 22<sup>nd</sup> May, 19<sup>th</sup> June, 2<sup>nd</sup> August, 14<sup>th</sup> August, 22<sup>nd</sup> August, 14<sup>th</sup> September, 19<sup>th</sup> September, 26<sup>th</sup> September, 31<sup>st</sup> October, 30<sup>th</sup> November, 18<sup>th</sup> December of the year 2007 and 30<sup>th</sup> January and 5<sup>th</sup> March of the year 2008. The maximum interval between any two meetings during this period was 43 days. Details of number of Board meetings attended by Directors, attendance at last AGM, number of other directorship / committee membership (viz. Audit Committee



and Shareholders' Grievance Committee as per Clause 49 I (C) – Explanation – 2) held by them during the year 2007-08 are tabulated below:

Name of the Director	Meeting held during respective tenure of Directors	No. of Board Meetings attended	Attendance at the last AGM (held on 14.08.07)	No. of Other Directorship held on 31.03.08	No. of Committee Membership in Companies on 31.03.08	
					Chairman	Member
Whole Time Directors						
Dr. R. P. Singh, Chairman & Managing Director (Ceased to be CMD on 30.05.08)	15	15	Yes	5	NIL	NIL
Shri S. Majumdar, Chairman & Managing Director* & Director (Projects)	15	15	Yes	1	NIL	NIL
Shri J. Sridharan, Director (Finance)	15	14	Yes	2	NIL	2
Non-executive Directors (Government Nominees)						
Shri. Rajesh Verma, JS&FA, Ministry of Power (From 02.08.2007)	10	8	Yes	3	2	3
Shri G.B. Pradhan, Addl. Secy., Ministry of Power	15	13	Yes	2	NIL	2
Shri. M. Sahoo, JS&FA, Ministry of Power (Ceased to be Director on 29.06.07)	4	4	-	-	-	-
Independent Directors						
Dr. P. K. Shetty	11	10	Yes	NIL	NIL	NIL
Shri M. S. Kapur (Ceased to be Director on 05.10.07)	6	2	Yes	-	-	-
Dr. A. S. Narag	11	11	Yes	NIL	NIL	NIL
Shri Anil K. Agarwal	11	9	No	4	NIL	2
Shri F. A. Vandrevale	11	7	Yes	3	NIL	3

\* Assumed the Additional charge of CMD w.e.f. 30.05.2008 and handed over the additional charge of CMD on 01.08.08.

Shri S. C. Tripathi and Shri Ashok Khanna are appointed as Non-official Part-time Directors w.e.f 25.04.2008 vide MOP Order dt 25.04.2008. Further, Smt. Sarita Prasad has joined POWERGRID's Board as Non-official Part-time Directors w.e.f 04.08.08 in pursuance of MOP Order dt. 23.07.08.

Shri S. K. Chaturvedi has joined as Chairman and Managing Director of POWERGRID w.e.f. 01.08.2008.

## 2.5 Information to be placed before the Board of Directors, inter alia, include:

The Board has complete access to any information with the Company. The information regularly supplied to the Board includes:

1. Annual operating plans and budgets and any updates.
2. Annual Accounts, Directors' Report, etc.
3. Quarterly results for the company.
4. Minutes of meetings of audit committee and other committees of the Board.



5. Major Investments, formation of Subsidiaries and joint ventures, Strategic Alliances, etc.
6. Award of large Contracts.
7. Disclosure of Interest by Directors about directorship and committee positions occupies by them in other Companies.
8. Monthly Report on Commercial Status of the Company.
9. Report on the status of various ongoing projects/Scheme and Budget Utilization.
10. Report on the O&M Review.
11. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement etc.
12. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
13. Short-Term investment of surplus funds.
14. Other materially important information.

### **3. Committee of the Board of Directors**

The Board has constituted the following Committees:

- i) Audit Committee
- ii) Shareholders/Investors Grievance Committee
- iii) Committee for Transfer/Split/Rematerialization/Dematerialization of Shares
- iv) Committee for Award of Contracts relating to RE, APDRP and other Deposit Works
- v) Committee on Feasibility Reports and Revised Cost Estimates
- vi) Committee for Bonds,
- vii) Committee on Award of Contracts

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

POWERGRID has constituted an Audit Committee on January 27, 1999. During the year ending 31<sup>st</sup> March, 2008, the Audit Committee comprises the following Directors:

- (i) Shri F.A. Vandrevale, Non-official Part-time Director – Member & Chairman
- (ii) Shri Anil K. Agarwal, Non-official Part-time Director - Member
- (iii) Shri Rajesh Verma, JS & FA, MoP - Member

The Company Secretary is the Secretary of the Committee.

The constitution, quorum, scope, etc. of the Audit Committee is in line with the Guideline on Corporate Governance for Central Public Sector Enterprises, 2007, the Companies Act, 1956 and provisions of the Listing Agreement.

#### **Meetings of Audit Committee**

The Audit Committee meets at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

#### **Powers of Audit Committee**

The 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.





### 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 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.

### 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. 2007-08:

The composition of Audit Committee at the beginning of the financial year was as under:

Shri S. Majumdar, Director (Projects)	Member & Chairman	Executive Director
Shri M. Sahoo, JS&FA, MOP	Member	Non-Executive Director
Shri G.B. Pradhan, Addl. Secy., MOP	Member	Non-Executive Director



On appointment of Non-official Part Time Directors in the Board of POWERGRID on 10<sup>th</sup> July, 2007, the Audit Committee was reconstituted as under:

Shri F.A. Vandrevale, Director	Member & Chairman	Non-official Part-time Director
Shri Anil K. Agarwal, Director	Member	Non-official Part-time Director
Shri Rajesh Verma, JS&FA, MOP	Member	Non-Executive Director

#### Attendance:

During the financial year ended, 31<sup>st</sup> March, 2008, six meetings of the Audit committee were held on 4<sup>th</sup> May, 16<sup>th</sup> May, 19<sup>th</sup> June, 19<sup>th</sup> September, 31<sup>st</sup> October of the year 2007 and 30<sup>th</sup> January of the year 2008.

#### Attendance at Audit Committee Meetings during the Financial Year 2007-08:

Name	Audit Committee Meeting held during the tenure	
	Held	Attended
Shri S. Majumdar, Director (Projects)	3	3
Shri M. Sahoo, JS&FA, MOP	3	3
Shri G.B. Pradhan, Addl. Secy., MOP	3	2

On appointment of Non-official Part Time Directors in the Board of POWERGRID on 10<sup>th</sup> July, 2007, the Audit Committee was reconstituted and their attendance during the year is as under:

Name	Audit Committee Meeting held during the tenure	
	Held	Attended
Shri F. Vandrevale, Director	3	2
Shri Anil K. Agarwal, Director	3	3
Shri Rajesh Verma, JS&FA, MOP	3	1

### 3.2 Shareholders/Investors Grievance committee.

The Company has constituted 'Shareholders/Investors Grievance Committee in line with the provisions of the Listing Agreements.

#### Scope of the Committee

The Scope of the Committee shall be to specifically look into the redressal of shareholders and investors grievances/complaints like transfer of shares, non receipt of balance sheet, non receipt of declared dividends etc.

#### Composition

As on 31<sup>st</sup> March, 2008 the Committee Comprises the following Directors:

- Shri Anil K. Agarwal, Non-official Part-time Director – Chairman
- Dr. A. S. Narag, Non-official Part-time Director – Member
- Shri G. B. Pradhan, Addl. Secy., MOP – Member
- Shri J. Sridharan, Director (Finance) – Member

The Company Secretary is the Secretary of the Committee.

Our equity shares got listed with NSE and BSE on 5<sup>th</sup> October, 2007, one meeting of the Shareholders/Investors Grievance Committee was held during the financial year 2007-08 on 19<sup>th</sup> November, 2007.

#### Name and designation of Compliance Officer

Ms. Divya Tandon, Company Secretary is the compliance officer in terms of Clause 47 of the Listing Agreement.



### Investor Grievances

During the financial year ending 31<sup>st</sup> March, 2008 Company has attended its investor grievances expeditiously except for the cases constrained by disputes or legal impediment. The details of the complaints received during the year are as under:

#### COMPLAINTS - FROM 26.09.2007 TO 31.03.2008

Sl. No.	Subject	Received	Attended	Pending
1	Non-Receipt of Electronic Credit	11662	11662	0
2	Non-Receipt of Refund orders	24221	24183	38
3	Received through SEBI	958	903	55
4	Received through Stock Exchanges	116	116	0
5	Advocate Notices	161	130	31
	<b>Total</b>	<b>37118</b>	<b>36994</b>	<b>124</b>

Investor complaints received after March 31, 2008 have been attended subsequently.

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

The Company has constituted a Committee for Transfer/ Split/ Repatriation/ Dematerialization etc. and other related issues. The Committee comprises the following Directors as members:

- i) Director (Finance)
- ii) Director (Projects) and
- iii) Director (Personnel)

As on March 31, 2008 no shares transfer request was pending. Share Transfers have been effected during the year well within the time prescribed by the Stock Exchanges.

### 3.4 Committee for Award of Contracts relating to RE, APDRP and other Deposit Works

This committee was constituted to conduct RGGVY Programme of Govt. of India. The powers of this committee is to award the contracts relating to RE, APDRP and other Deposit Works for more than Rs. 20 Cr. and up to Rs.75 Cr. As on March 31, 2008 the committee comprises the following:

- i) CMD – Chairman,
- ii) Director (Finance) – Member,
- iii) Director (Projects) – Member,
- iv) Director (Personnel) – Member, and
- v) Director (Operations) – Member.

### 3.5 Committee on Feasibility Reports and Revised Cost Estimates

The Board has constituted this committee to consider and examine the Feasibility Report and various Revised Cost Estimate proposals as may be required, for seeking investment sanction from the Board. As on March 31, 2008, the committee comprises the following:

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

### 3.6 Committee for Bonds

The Board of Directors of the Company has constituted a Committee to consider and approve allotment, transfer, transmission, splitting and consolidation of POWERGRID Bonds/Allotment Letter and other matters relating to the Bonds including appointment of Merchant Bankers, Registrar to the Issue etc. As on March 31, 2008, the Committee for Bonds comprises the following members:

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





### 3.7 Committee on Award of Contracts

This Committee has been constituted for approval of award of contracts of value more than Rs.20 Cr. but not exceeding Rs.75 Cr. As on March 31, 2008, the following Directors were member of the Committee:

- i) Dr. R. P. Singh, CMD – Chairman
- ii) Shri S. Majumdar, Director (Projects) – Member
- iii) Shri J. Sridharan, Director (Finance) – Member
- iv) Shri G. B. Pradhan, Addl. Secretary, MOP – Member
- v) Shri F. A. Vandrevalla, Director – Member
- vi) Shri A. S. Narag, Director – Member

#### Remuneration of Directors

Our Company, being a Government Company, the appointment, tenure and remuneration of Directors are decided by the President of India. Hence, the Board does not decide the remuneration of the Directors. Independent Directors are paid only sitting fees at rate fixed by the Board within the ceiling fixed under the Companies Act, 1956 and in accordance with the Government Guidelines for attending the Board Meeting as well as Committee Meetings.

The remuneration paid to the Whole time Directors during the year 2007-08 is as under:

S No.	Directors	Designation	Remuneration (Rs. in Lacs)
1.	Dr. R. P. Singh	Chairman & Managing Director	10.76
2.	Shri S. Majumdar	Director (Projects)	13.27
3.	Shri J. Sridharan	Director (Finance)	11.47

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

Details of Payment made towards sitting fee to Independent Directors during the year 2007-08 are given below:

Name of Non-official Part-time Directors	Sitting Fees		Total (Rs.)
	Board Meeting (Rs.)	Committee Meeting (Rs.)	
Dr. P. K. Shetty	1,00,000	10,000	1,10,000
Shri M. S. Kapur	20,000	NIL	20,000
Dr. A. S. Narag	1,10,000	40,000	1,50,000
Shri Anil Kumar Agarwal	90,000	40,000	1,30,000
Shri F. A. Vandrevalla	70,000	60,000	1,30,000

As on 31.03.2008 the Directors' Shareholding are as under:

Name of Directors	No. of Equity Shares Held	
	As a Nominee of the President of India	Individual Capacity
Dr. R. P. Singh	100	15051
Mr. J. Sridharan	100	5000
Mr. S. Majumdar	100	240
Mr. G. B. Pradhan	100	1178
Mr. Rajesh Verma	100	5602
Dr. P. K. Shetty		1568
Dr. A. S. Narag		3136
Mr. Anil K. Agarwal		15051
Mr. F. A. Vandrevalla		15051



#### 4. General Body Meetings:

Date, time and location where the last three Annual General Meetings were held are as under:

Year	Date	Time	Venue	Special Resolution
2004-2005	16 <sup>th</sup> September, 2005	4.15p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.	NIL
2005-2006	3 <sup>rd</sup> August, 2006	3.00p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.	NIL
2006-2007	14 <sup>th</sup> August, 2007	1.00p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16.	NIL

#### Ordinary Resolution passed through Postal Ballot

Company has passed an Ordinary Resolution to enhance the borrowing limits of its Board of Directors from Rs.25,000 Crore to Rs.50,000 Crore through postal ballot. Notice dated 12<sup>th</sup> March, 2008, was served to all shareholders for voting through postal ballot as per provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 and said resolution was approved by the shareholders on 29<sup>th</sup> April, 2008.

Ms. Savita Jyoti, Practicing Company Secretary, was appointed as scrutinizer to conduct Postal Ballot. Out of total 3665229764 Ballot Papers received, 3657238002 (representing 99.78% of total valid votes cast) voted in favour of the resolution.

#### 5. Disclosures

- (I) The transactions with related parties contain (i) payment to Companies under Joint Venture Agreement and on account of contracts for works/services, (ii) remuneration to key management personnel, and (iii) equity contribution to subsidiaries, which are not in nature of potential conflicts of interest of the Company at large. Details of related party transactions are included in the Notes to the Accounts as per Accounting Standard – 18 issued by the Institute of Chartered Accountants of India and notified by the Central Government in consultation with National Advisory Committee on Accounting Standards.
- (II) The CEO & CFO of the Company have certified to the Board, the specified matters, as required under Clause 49 V of the Listing Agreement.
- (III) POWERGRID do not have a material non listed Indian Subsidiary Company.
- (IV) The Company has complied with all the requirements of the Listing Agreement with Stock exchanges as well as Regulations and Guidelines prescribed by SEBI. There were no penalties or strictures imposed on the Company by any statutory authorities for non-compliance on any matter related to capital markets, during the year.
- V) The Balance Sheet, Profit and Loss Account and Cash Flow Statement for the financial year 2007-08 have been prepared as per the Accounting Standard referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
- (VI) The Company has adopted all suggested items to be included in the Report of Corporate Governance. Information on adoption (and compliance) / Non-adoption of the non-mandatory requirements is at Annex-I.

#### 6. Means of Communication

The Company communicates with its shareholders through its Annual Report, General Meeting, Newspapers and disclosure through web site.

Information and latest updates and announcement regarding the Company can be accessed at Company's website: [www. powergridindia.com](http://www.powergridindia.com) including the following:

- Quarterly /Half-Yearly /Annual Financial Result
- Shareholding Pattern
- Corporate disclosures made from time to time to Stock Exchanges

#### Quarterly Results

Newspapers	Date of Publication of Financial Results for the quarter ended	
	30.09.2007	31.12.2007
Financial Express	01.11.2007	31.01.2008
Hindustan	01.11.2007	31.01.2008

These Results are also displayed at Company's website [www. powergridindia.com](http://www. powergridindia.com)



## 7. Code of Conduct

The Board of Directors has laid down two separate Code of Conduct – one for Board Members and another for Senior Management Personnel in alignment with Company's Mission & Objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. A copy of the Codes of Conduct is available at the website of the Company.

### Declaration required under Clause 49 of the Listing Agreements

All the members of the Board and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended March 31, 2008.

New Delhi  
Dt. : 22.04.2008

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

## 8. Code of Insider Trading

In pursuance of the Securities Exchange Board of India (Prohibition of Insider Trading) Regulation, 1992, the Board has laid down "Code of Conduct for Prevention of Insider Trading" with the objective of preventing purchase and/or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this code, Insiders (i.e. Designated Employees) are prevented to deal in the Company's shares during the closure of Trading Window. To deal in Securities, beyond limits specified permission of Compliance Officer is required. All Directors/Officers/Designated Employees are also required to disclose related information periodically as defined in the Code, which in turn is being forwarded to Stock Exchanges, whenever necessary. Company Secretary has been designated as Compliance Officer for this Code.

## 9. Shareholders' Information

### i) Annual General Meeting

Date : 18<sup>th</sup> September, 2008  
Time : 10.00 a.m.  
Venue : Air Force Auditorium, Subroto Park, New Delhi – 110 010

### ii) Financial Year

The Company's financial year is from 1st April to 31st March.

### iii) Book Closure

The Register of Member and Share Transfer Books of the Company will remain closed from 3<sup>rd</sup> September, 2008 to 18<sup>th</sup> September, 2008 (both days inclusive)

### iv) Payment of dividend

The Board of Directors of the Company has recommended payment of a final Dividend of 7% (Rs. 0.70 per share) for the financial year ended 31<sup>st</sup> March, 2008 in addition, an Interim Dividend of 5% (Rs. 0.50 per share) paid on 20<sup>th</sup> March, 2008. (Dividend paid in the Previous Year is Rs. 368.82 Crore)

### v) Dividend History

Year	Total Paid-up Capital (Rs. in Crore)	Total Amount of Dividend Paid (Rs. in Crore)	Date of AGM in which dividend was declared	Date of Payment of Final Dividend
2002-03	3035.25	100.00	29.09.2003	27.10.2003
2003-04	3035.25	125.00	28.09.2004	18.10.2004
2004-05	3165.25	184.00	16.09.2005	13.10.2005
2005-06	3584.63	302.68	03.08.2006	23.08.2006
2006-07	3787.41	368.82	14.08.2007	24.08.2007
2007-08	4208.84	210.46	05.03.2008*	20.03.2008#

\* Date of Board Meeting

# Date of Payment of Interim Dividend





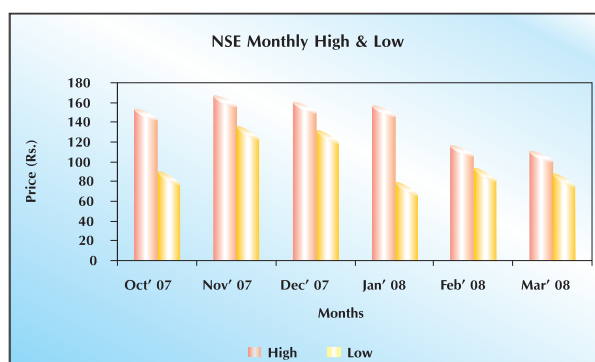
## vi) Listing on Stock Exchange

POWERGRID equity shares are listed on the following Stock Exchanges:

<b>National Stock Exchange of India Limited.</b> Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex Bandra (E), Mumbai - 400 051.	<b>Bombay Stock Exchange Ltd.,</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001
<b>Scrip Code : POWERGRID EQ</b>	<b>Scrip Code: 532898</b>
<b>Stock Code: ISIN – INE752E01010</b>	

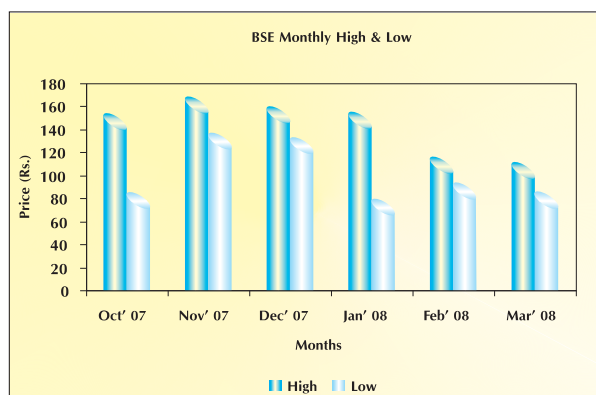
## vii) Market Price Data - NSE

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)
Oct' 07	153.1	90.35	149.8
Nov' 07	167.5	135.55	147.9
Dec' 07	159.65	132	143.95
Jan' 08	156	78.95	102.2
Feb' 08	116.15	92.95	109.9
Mar' 08	110	87	98.3



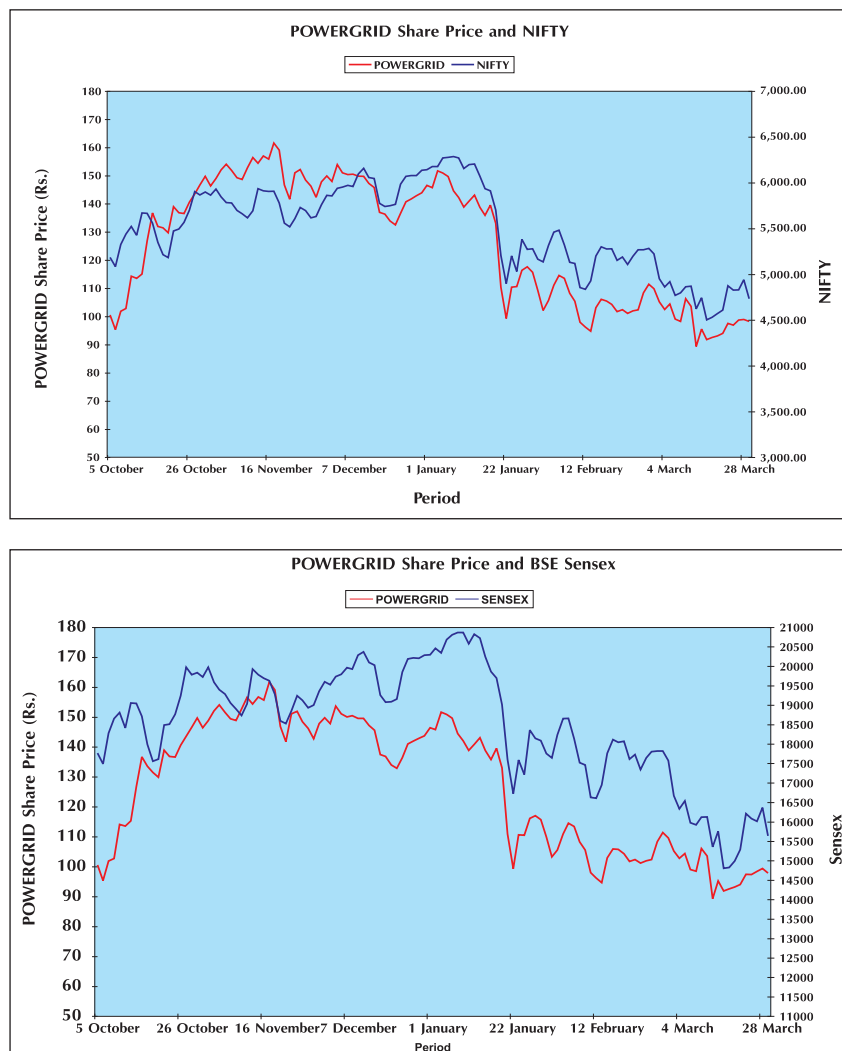
## viii) Market Price Data - BSE

Month	High (Rs.)	Low (Rs.)	Closing (Rs.)
Oct' 07	153.25	85	149.75
Nov' 07	167.45	135.90	147.90
Dec' 07	158.40	132.25	143.80
Jan' 08	156	80	103.35
Feb' 08	116.20	92.90	109.70
Mar' 08	111.50	87.20	97.95





#### ix) Performance in comparison to indices BSE Sensex, NSE NIFTY and POWERGRID



#### x) Registrar and Transfer Agents.

##### EQUITY SHARES

Karvy Computershare Pvt. Ltd.  
Plot No.: 17 to 24, Vittalrao Nagar,  
Madhapur, Hyderabad - 500 081  
Ph: 040-23420815 to 824  
Fax:- 040-23420814  
Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

##### BONDS

MCS Limited,  
Srivenkatesh Bhavan,  
W-40, Okhla Industrial Area,  
Phase-II, New Delhi- 110 020.  
Ph.: 011-41406148/49/51 Telefax : 011-41406148  
Email : [admin@mcsdel.com](mailto:admin@mcsdel.com)

#### xi) Share Transfer System

Entire share transfer activities under physical segment are being carried out by Karvy Computershare Private limited. The share transfer system consists of activities like receipt of shares along with transfer deed from transferees, its verification, preparation of Memorandum of transfer, etc. Share transfers are approved by Sub-Committee of the Board for Allotment and Post Allotment activities of POWERGRID's Securities.

Pursuant to clause 47 C of the Listing Agreement with Stock Exchange, certificate on half-yearly basis confirming due compliance of shares transfer formalities by the Company from Practicing Company Secretary have been submitted to Stock Exchanges within stipulated time.



## xii) Distribution of Shareholding

Share held by different categories of shareholders and according to the size of the holdings as on 31<sup>st</sup> March, 2008 are given below:

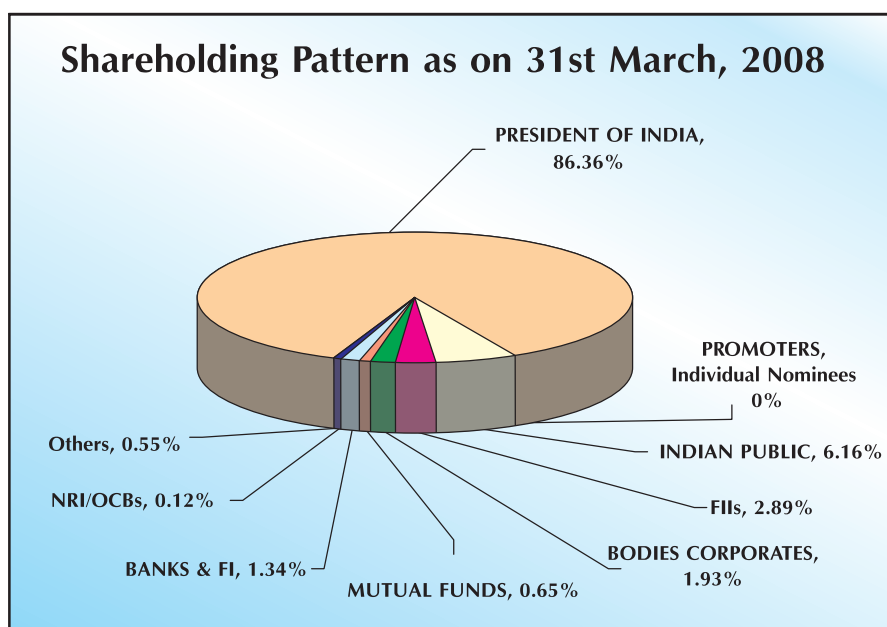
### According to Size

#### b. Distribution of shareholding according to size, % of holding as on 31<sup>st</sup> March, 2008:

Number of Shares			Number of shareholders	% of share holders	Total No of Shares	% of shares
1	-	5000	1047437	93.61%	168553957	4.00%
5001	-	10000	43659	3.90%	33571832	0.80%
10001	-	20000	16024	1.43%	23521070	0.56%
20001	-	30000	4154	0.37%	10543039	0.25%
30001	-	40000	2012	0.18%	7148487	0.17%
40001	-	50000	1529	0.14%	7219871	0.17%
50001	-	100000	2473	0.22%	17568000	0.42%
100001	&	Above	1688	0.15%	3940714974	93.63%
<b>Total</b>			<b>1118976</b>	<b>100%</b>	<b>4208841230</b>	<b>100%</b>

#### c. Shareholding pattern as on 31<sup>st</sup> March, 2008

S.No	Category	Total Shares	% To Equity
1	PRESIDENT OF INDIA (Promoter)	3634907735	86.36
9	PROMOTERS (Individual Nominees)	600	0.00
2	INDIAN PUBLIC	259078815	6.16
3	FII's	121598869	2.89
4	BODIES CORPORATE	81168904	1.93
5	MUTUAL FUNDS	27455532	0.65
6	BANKS & FI	56216002	1.34
7	NRI/OCBs	5233768	0.12
8	Others	23181005	0.55
	<b>Total</b>	<b>4208841230</b>	<b>100.00</b>







**d. Major Shareholders**

Details of Shareholders holding more than 1% of the paid-up capital of the Company as on 31<sup>st</sup> March, 2008 are given below:

S.No	Name of shareholders	No of Shares	% to paid up capital	Category
1	PRESIDENT OF INDIA (POI)	3533637935	83.96	POI
2	PRESIDENT OF INDIA (POI)	101269800	2.41	POI
3	JANUS CONTRARIAN FUND	51197250	1.22	FII

**xiii) Dematerialization of Shares**

The shares of the Company are in compulsory dematerialized segment and are available for trading system of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

Secretarial Audit Report for reconciliation of the share capital of the Company obtained from Practicing Company Secretary have been submitted to Stock Exchanges within stipulated time.

**No. of shares held in dematerialized and physical mode**

S.No		No of shares	% of total capital issued
1	PHYSICAL	16392	0.00039
2	Held in dematerialized form in NSDL	4125066602	98.00956
3	Held in dematerialized form in CDSL	83758236	1.99005
	<b>Total</b>	<b>4208841230</b>	<b>100.00</b>

The name and addresses of the Depositories are as under:

1. National Securities Depository Limited  
Trade World, 4<sup>th</sup> Floor,  
Kamala Mills Compound,  
Senapathi Bapat Marg,  
Lower Parel, Mumbai – 400 013.
2. Central Depository Services (India) Limited  
Phiroze Jeejeebhoy Towers,  
28<sup>th</sup> Floor, Dalal Street,  
Mumbai – 400 023.

**xiv) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity**

No GDRs/ADRs/Warrants or any Convertible instruments have been issued by the Company.

**xv) Location of POWERGRID Plants**

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

**xvi) Address for correspondence:**

Power Grid Corporation of India Limited,  
B-9, Qutab Institutional Area,  
Katwaria Sarai,  
New Delhi – 110 016.



	Telephone No.	Fax No.
Registered Office	011-26560112, 26560121, 26564812, 26564892	011-26601081
Investor Services Department	0124-2571897	0124-2571897
E-mail ID	investors@powergridindia.com	
Public Spokesperson Shri I. C. Jaiswal Executive Director (Corporate Planning)	0124-2571960	0124-2571961
E-mail ID	icj@powergridindia.com	
Company Secretary Ms. Divya Tandon	0124-2571968	0124-2571969
E-mail ID	dtandon@powergridindia.com	



### Certificate on Corporate Governance :

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

For and on behalf of the Board of Directors

(S. K. Chaturvedi)

Chairman & Managing Director

Place : New Delhi

Date : 06 August, 2008

### Annex - I

#### Non-Mandatory Requirements

**1. The Board:**

The Company is headed by an executive Chairman. No person has been appointed as an independent director who has been a Director, in the aggregate, not exceeding a period of nine years.

**2. Remuneration Committee:**

POWERGRID has not constituted Remuneration Committee.

**3. Shareholder Rights:**

The financial results for the half year ended 30th September, 2007 were published in Financial Express and Hindustan dated 1st November, 2007 and also put up on website. Separate half year report has, however, not been sent to each household of shareholders. Significant events have been disclosed on the Company website: [www.powergridindia.com](http://www.powergridindia.com).

**4. Audit qualifications:**

The financial statement for the year 2007-08 has no audit qualifications.

**5. Training of Board Members:**

On induction of Independent Directors, a comprehensive presentation by various Departments viz. Corporate Planning, Finance, Engineering, Human Resource and Telecom etc. was made to them so as to give them an insight into the functioning of POWERGRID.

**6. Whistle Blower Policy:**

The Company has separate vigilance department which deals with fraud or suspected fraud involving employees of the Company as well as representatives of suppliers, contractors, consultants, service provider or any other party doing any type of business with POWERGRID. All reports of fraud or suspected fraud are investigated with speed.





## CERTIFICATE ON CORPORATE GOVERNANCE

To  
The Members,  
Power Grid Corporation of India Limited

I have examined the compliance of conditions of corporate governance by Power Grid Corporation of India Limited, for the year ended on 31st March, 2008 as stipulated in the Clause 49 of the Listing Agreement in respect of Equity Shares of the said Company with Stock Exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In my opinion and to the best of my information and according to the explanation given to me, I certify that except the composition of the Board of Director as reported in para 2.2 of Report on Corporate Governance, the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with the management has conducted the affairs of the Company.

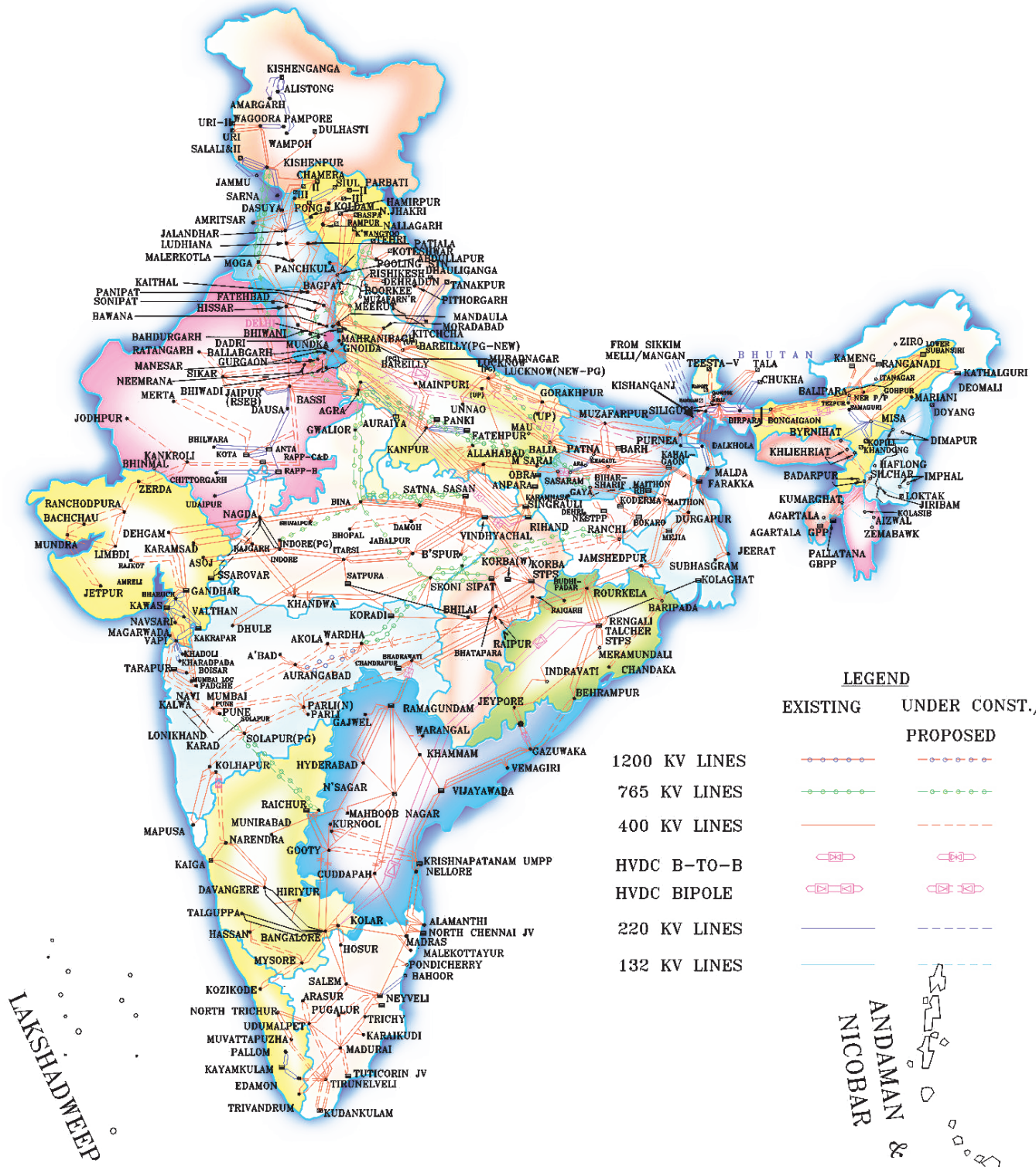
Sd/-  
(T. V. NARAYANASWAMY)  
PRACTISING COMPANY SECRETARY  
PCS No.:203

Place: New Delhi  
Dated: 05.08.2008



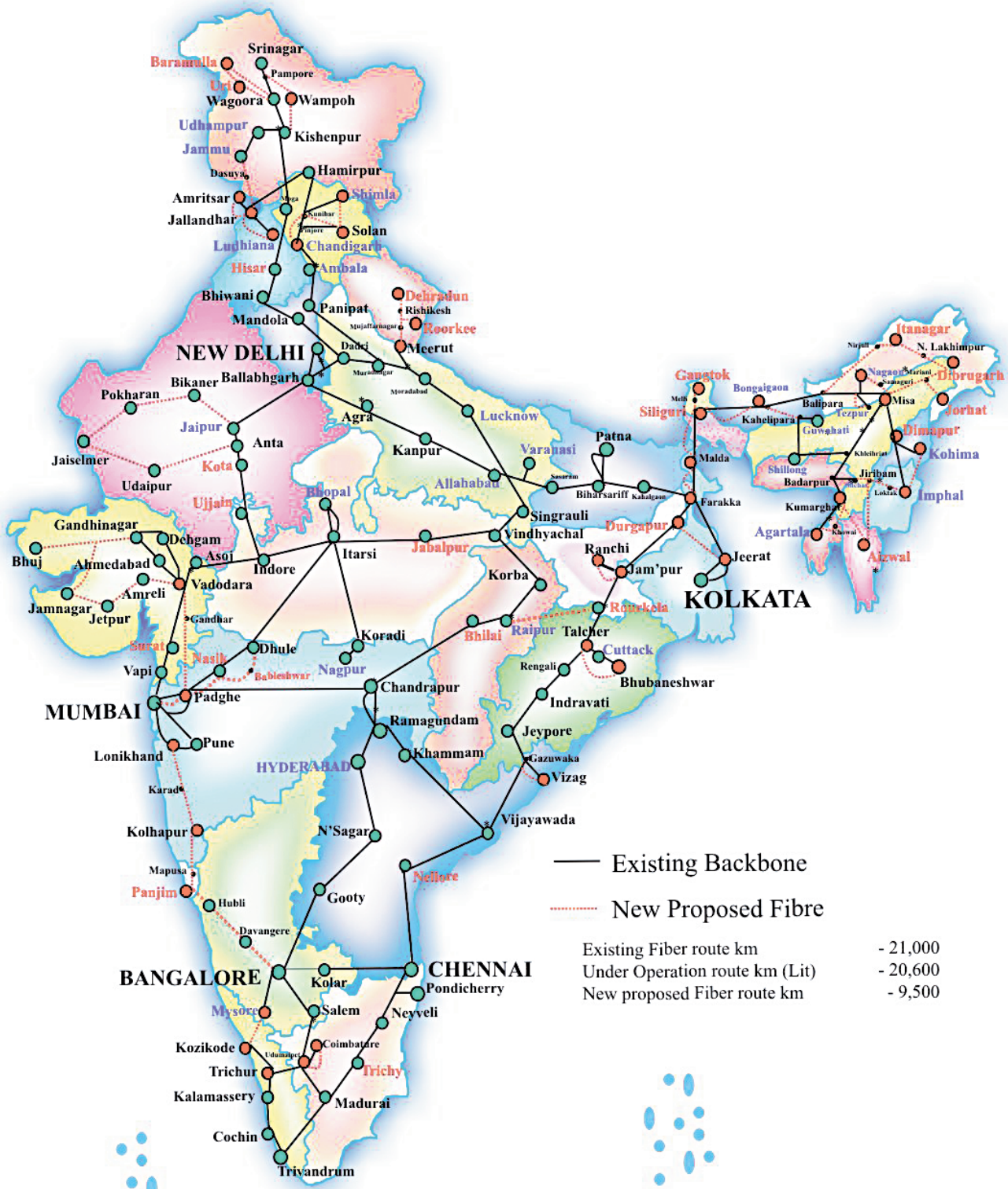
# POWER MAP OF INDIA

## POWERGRID LINES



# POWERGRID

## BROADBAND TELECOM NETWORK



LAKSHADWEEP

ANDAMAN &amp; NICOBAR





## REVENUE EXPENDITURE ON SOCIAL OVERHEADS FOR THE YEAR ENDED 31ST MARCH,2008

	<b>(Rs.in crore)</b>	
	<b>For the Year Ended 31st March, 2008</b>	For the Year Ended 31st March, 2007
<b>Township</b>		
a) Depreciation	<b>7.39</b>	6.99
b) Repair & Maintenance	<b>6.30</b>	4.26
c) Others	<u><b>6.00</b></u>	<u>5.71</u>
	<b>19.69</b>	16.96
Educational & School Facilities	<b>1.91</b>	2.01
Medical Facilities	<b>28.00</b>	23.66
Subsidised Transport	<b>2.00</b>	2.43
Social & Cultural Activities	<b>11.00</b>	8.07
Subsidised Canteen	<b>6.59</b>	5.85
Total	<b>69.19</b>	58.98
Less: Recoveries	<b>1.93</b>	1.74
Net	<u><b>67.26</b></u>	<u>57.24</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.

### 2. RESERVES AND SURPLUS

Self insurance reserve is created @ 0.1% p.a. on Gross Block of Fixed Assets (except for valve halls of HVDC Bi-pole, HVDC equipments, SVC sub-stations and series compensators) as at the end of the year by appropriating current year profit towards future losses which may arise from un-insured risks. The same is shown as "Self Insurance Reserve" under 'Reserves & Surplus'.

### 3. GRANTS-IN-AID

3.1 Grants-in-aid received from Central Government or other authorities towards capital expenditure for projects, betterment of transmission systems and specific depreciable assets are shown as "grants-in-aid" till the utilization of grant.

3.2 On capitalization of related assets, grants received for specific depreciable assets are treated as deferred income and recognized in the profit and loss account over the useful period of life and in proportion to which depreciation on these assets is provided.

### 4. FIXED ASSETS

4.1 Fixed assets are shown at historical cost comprising of purchase price and any attributable cost of bringing the assets to its working condition for its intended use.

4.2 In the case of commissioned assets, deposit works/cost- plus contracts where final settlement of bills with contractors is yet to be affected, capitalisation is done on provisional basis subject to necessary adjustments in the year of final settlement.

4.3 Assets and systems common to more than one transmission system are capitalised on the basis of technical estimates/ assessments.

4.4 Transmission system assets are considered 'Ready for intended use', for the purpose of capitalization, after test charging/successful commissioning of the systems/assets and on completion of stablization period wherever technically required.

4.5 The cost of land includes provisional deposits, payments/liabilities towards compensation, rehabilitation and other expenses wherever possession of land is taken.

4.6 Expenditure on levelling, clearing and grading of land is capitalised as part of cost of the related buildings.

4.7 Capital expenditure on assets not owned by the company is reflected as a distinct item in capital work-in-progress till completion and thereafter in Fixed Assets.

4.8 Insurance spares which can be used only in connection with an item of fixed asset and whose use is expected to be irregular are capitalized and depreciated over the residual useful life of the related plant & machinery.

4.9 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 capitalized and depreciation is charged in accordance with the relevant accounting standard.

### 5. CAPITAL WORK IN PROGRESS (CWIP)

5.1 Cost of material consumed, erection charges thereon along with other incidental expenses incurred for the projects are shown as CWIP till capitalization.

5.2 Incidental expenditure during construction (net) including corporate and regional office expenses (allocated to the projects on prorata basis 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 to CWIP on the closing balance of CWIP.



5.3 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors or technical assessment of work completed.

5.4 Claims for price variation/ exchange rate variation in case of contracts are accounted for on acceptance.

## **6. CONSTRUCTION STORES**

6.1 Construction stores are valued at cost.

## **7. ALLOCATION OF COMMON EXPENSES**

7.1. The common expenses (net) of corporate office and regional offices are allocated to various diversified activities of the company viz. transmission, telecom, consultancy & accelerated power development and reform program ( APDRP) in the ratio of the respective income/reimbursement of each activity.

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

7.3 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) and capital outlay.

## **8. BORROWING COST**

8.1 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.

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

8.3 Foreign exchange rate variation (FERV) (Unfavorable) on foreign currency borrowings, to the extent it does not exceed the difference between the local currency borrowing cost and foreign currency borrowing cost, is regarded as borrowing cost.

## **9. TRANSACTION IN FOREIGN CURRENCY**

9.1 Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of transaction. Foreign currency loans, deposits and liabilities are translated or converted with reference to the rates of exchange ruling on the date of the Balance Sheet.

9.2 FERV (except the amount considered as 'borrowing cost' under para 8.3 above) arising on transactions contracted prior to April 1, 2004 is adjusted to carrying cost of capital work-in-progress/fixed assets in case of capital assets. For the transactions contracted after April 1, 2004, the same is charged to profit & loss account.

9.3 FERV, accounted for as per policy no 8.3 & 9.2 is recoverable/payable from the beneficiaries on actual payment basis as per Central electricity regulatory commission (CERC) norms w.e.f 1<sup>st</sup> April, 2004 or Date of commercial operation (DOCO) which ever is later.

Above FERV to the extent recoverable or payable as per CERC norms is accounted for as follows:

a) FERV recoverable or payable is apportioned into (i) amount adjusted to carrying cost of fixed assets and (ii) amount recognized as income/expense in profit and loss account in the same proportion in which FERV is apportioned between carrying cost of fixed assets and profit and loss account.

b) FERV recoverable/payable adjusted to carrying cost of fixed assets, as referred in (a) above is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Deferred income/expenditure from foreign currency fluctuation a/c'.

c) FERV recoverable/payable adjusted in profit and loss referred in (a) above is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c' with a corresponding credit/debit to 'Profit & loss account'.



d) 'Deferred income/expenditure from foreign currency fluctuation a/c' is amortized in the proportion in which depreciation is charged on such FERV.

e) The amount recoverable/payable as per CERC norms on year to year basis is adjusted to the 'Deferred foreign currency fluctuation asset/liability a/c' with corresponding credit/debit to the debtors.

9.4 FERV in respect of current assets is charged off to revenue.

## 10. INVESTMENTS

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

## 11. INVENTORIES

11.1. Inventories are valued at lower of the cost, determined on weighted average basis, and net realizable value.

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

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

11.4 Surplus materials as determined by the management are held for intended use and are included in the inventory.

## 12. DEFERRED REVENUE EXPENDITURE

Deferred revenue expenditure (DRE) created up to March 31, 2003 (prior to the date AS-26 became mandatory) are amortized over a period of 5 years from the year of commercial operation/earning of revenue.

## 13. REVENUE RECOGNITION

13.1.1 Transmission Income is accounted for based on tariff notified by CERC. In case of transmission projects where tariff rates is yet to be notified, transmission income is accounted for as per tariff norms and other amendments notified by CERC in similar cases. The shortage/excess, if any, is adjusted based on final notification of tariff by CERC. Transmission income on account of additional capitalization, if any, is accounted for on the basis of specific order by the CERC.

13.1.2 Income from short term open access is accounted for on the basis of regulations notified by CERC.

13.1.3 Advance against depreciation (AAD), 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.

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

13.3 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.

13.4 Telecom income is accounted for on the basis of terms of agreements/ purchase orders from the customers.

13.5.1 Income from sole consultancy contracts are accounted for on technical assessment of progress of services rendered.

13.5.2 In respect of 'Cost-plus-consultancy contracts', involving execution on behalf of the client, income is accounted for against advance received in phased manner as under:

a. 10% on issue of Notice Inviting Tender for execution

b. 5% on Award of Contracts for execution

c. Balance on the basis of actual progress of work including supplies

13.6 The Transmission system Incentive / disincentive is accounted for based on certification of availability by the respective Regional power committees and in accordance with the norms notified / approved by CERC.



- 13.7 Scrap other than steel scrap & conductor scrap are accounted for as and when sold.
- 13.8 Dividend income including interim dividend is recognized in the year of declaration.

#### **14. LEASED ASSETS – UNIFIED LOAD DESPATCH CENTRE (ULDC)**

- 14.1 State sector unified load dispatch centre (ULDC) assets leased to the SEBs are considered as Finance Lease. Net investment in such leased assets along with accretion in subsequent years is accounted as Lease Receivables under Loans & Advances. Wherever grant in-aid is received for construction of State Sector ULDC, lease receivable is accounted for net of such grant.
- 14.2 Finance income on leased assets are recognised based on a pattern reflecting a constant periodic rate of return on the net investment as per the levellised tariff notified/to be notified by CERC.
- 14.3 FERV on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenor of lease. FERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.

#### **15. DEPRECIATION**

- 15.1.1 Depreciation is provided on straight line method at the rates specified in the norms notified by CERC for the purpose of recovery of tariff on pro-rata basis except for the following assets in respect of which depreciation is charged at the rates mentioned below:

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

- 15.1.2 ULDC assets are depreciated @ 6% per annum as determined by CERC for levellized tariff.
- 15.1.3 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.
- 15.1.4 Where the cost of depreciable asset has undergone a change due to increase/decrease in long term liabilities on account of exchange rate fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such asset is depreciated prospectively over the residual life determined on the basis of the rate of depreciation as specified by the CERC.
- 15.1.5 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.
- 15.1.6 Plant and machinery, loose tools and items of scientific appliances, included under different heads of assets, costing Rs.5000/- or less, or where the written down value is Rs. 5000/- or less as at the beginning of the year, are charged off to revenue.
- 15.1.7 Leasehold land is depreciated over the tenure of the lease.
- 15.2 In the case of assets of National thermal power corporation limited (NTPC) , National hydro-electric power Corporation limited (NHPC), North-eastern electric power corporation limited (NEEPCO), Neyveli lignite corporation limited (NLC) transferred w.e.f. April 1, 1992, Jammu and Kashmir Lines w.e.f. April 1, 1993, and Tehri hydro development corporation limited (THDC) w.e.f. August 1, 1993, depreciation is charged based on gross block as indicated in transferor's books with necessary adjustments so that the life of the assets as laid down in the CERC notification for tariff is maintained.

#### **16. EXPENDITURE**

- 16.1 Pre-paid/prior-period items up to Rs.100000/- are accounted for to natural heads of account.
- 16.2 Expenses of research and development, other than fixed assets, are charged to revenue in the year of incurrence.





- 16.3 Expenditure, except the cost of equipment capitalized, incurred for activating the last mile connectivity of telecom links are amortized over the period of agreement with the customer.

#### 17. **IMPAIRMENT OF ASSETS**

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

#### 18. **EMPLOYEE BENEFITS**

- 18.1 The liabilities for retirement benefits of employees in respect of Gratuity, which is ascertained annually on actuarial valuation at the year end, is provided and funded separately.
- 18.2 The liabilities for compensated absence (both for Earned & Half Pay Leave), leave encashment, leave travel concession, post retirement medical benefits & Settlement Allowance to employees are ascertained annually on accrual basis based on actuarial valuation at the year end and provided for.

#### 19. **PROVISIONS AND CONTINGENT LIABILITIES**

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made based on technical valuation and past experience. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. No provision is recognized for liabilities whose future outcome cannot be ascertained with reasonable certainties. Such contingent liabilities are not recognized but are disclosed in the schedule of contingent liability on the basis of judgment of the management /independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.

## Balance Sheet As At 31st March, 2008

			(Rupees in crore)	
	Schedule No.		As at 31st March, 2008	As at 31st March, 2007
<b>SOURCES OF FUNDS</b>				
<b>Shareholders' Fund</b>				
Share Capital	01	4208.84		3826.22
Reserves and Surplus	02	<u>9298.53</u>	<b>13507.37</b>	<u>6874.21</u>
				10700.43
<b>Deferred Revenue</b>				
Advance Against Depreciation (AAD)	03	1697.07		1201.17
Grants in Aid	04	<u>246.80</u>	<b>1943.87</b>	<u>264.45</u>
				1465.62
<b>Loan Funds</b>				
Secured Loans	05A	17552.13		13053.30
Unsecured Loans	05B	<u>4711.35</u>	<b>22263.48</b>	<u>6272.20</u>
				19325.50
<b>Deferred Tax liability (Net)</b>			<b>493.78</b>	419.33
<b>TOTAL</b>			<b>38208.50</b>	<u>31910.88</u>
<b>APPLICATION OF FUNDS</b>				
<b>Fixed Assets</b>				
Gross Block	06	35417.14		29014.63
Less: Depreciation		<u>8061.94</u>		<u>7198.56</u>
Net Block		27355.20		21816.07
Capital Work-in-Progress	07	5305.41		6068.85
Construction Stores and Advances	08	<u>3452.68</u>	<b>36113.29</b>	<u>3371.54</u>
			<b>1736.22</b>	31256.46
<b>Investments</b>	09			1967.00
<b>Current Assets, Loans &amp; Advances</b>				
Inventories	10	248.22		184.13
Sundry Debtors	11	1100.50		490.48
Cash and Bank Balances	12	1865.59		1196.82
Other Current Assets	13	395.17		147.03
Loans and Advances	14	<u>1767.30</u>		<u>1491.26</u>
		5376.78		3509.72
<b>Less: Current Liabilities &amp; Provisions</b>				
Current Liabilities	15	3672.39		4001.79
Provisions	16	<u>1352.59</u>		<u>833.37</u>
		5024.98		4835.16
<b>Net Current Assets</b>			<b>351.80</b>	(1325.44)
<b>Miscellaneous Expenditure</b>	17		<b>7.19</b>	12.86
<b>(to the extent not written off or adjusted)</b>				
<b>TOTAL</b>			<b>38208.50</b>	<u>31910.88</u>
Contingent Liabilities	18		<b>2907.32</b>	1950.38
Notes on accounts	28			
<b>Schedules 1 to 28 and Accounting Policies form an integral part of Accounts</b>				

### For and on behalf of the Board

(Divya Tandon)  
Company Secretary

(J. Sridharan)  
Director(Finance)

(S. Majumdar)  
Director(Projects) & CMD (Addl. Charge)

### As per our report of even date

**For A. R. & Co.**  
Chartered Accountants  
(Anil Gaur)  
Partner  
M.N. 017546

**For S R I Associates**  
Chartered Accountants  
(R N Roy Choudhury)  
Partner  
M.N. 007437

**For Umamaheswara Rao & Co**  
Chartered Accountants  
(R R Dakshina Murthy)  
Partner  
M.N. 211639

Place: Gurgaon  
Date: 18<sup>th</sup> June, 2008

## Profit and Loss Account for the year ended 31st March, 2008

	Schedule No.	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
(Rupees in crore)			
<b>INCOME</b>			
Revenue from Operations	19	4614.82	3589.85
Provisions written back	20	8.39	133.43
Other Income	21	458.32	373.87
<b>TOTAL</b>		<b>5081.53</b>	4097.15
<b>EXPENDITURE</b>			
Employees' Remuneration & Benefits	22	519.06	338.88
Transmission, Administration and Other Expenses	23	341.42	306.62
Depreciation	06	959.65	827.58
Provisions	24	3.83	2.74
Interest and Finance Charges	25	1339.55	1140.42
Deferred Revenue Expenditure written Off		5.43	8.19
<b>TOTAL</b>		<b>3168.94</b>	2624.43
<b>Profit for the year before tax and Prior period Adjustments</b>		<b>1912.59</b>	1472.72
Less: Prior Period Expenditure/(Income) (Net)	26	182.06	(9.28)
<b>Profit Before Tax</b>		<b>1730.53</b>	1482.00
Less: Provision for Taxation			
- Current Year		197.12	134.06
- Earlier Years		(0.01)	0.03
		<b>197.11</b>	134.09
Fringe Benefit Tax			
- Current Year		10.50	8.68
- Earlier Years			0.04
		<b>10.50</b>	8.72
<b>Profit after Current Tax</b>		<b>1522.92</b>	1339.19
Less: Provision for Deferred Tax			
Total Deferred tax Liability		546.81	473.11
Less: Recoverable from beneficiaries		472.36	363.29
		<b>74.45</b>	109.82
<b>Profit after Tax</b>		<b>1448.47</b>	1229.37
Add: Balance of Profit brought forward		16.24	54.63
Add: Bond Redemption Reserve Written Back		140.68	121.93
Total Amount Available for Appropriation		<b>1605.39</b>	1405.93
<b>Appropriation</b>			
Interim Dividend Paid		210.46	115.00
Corporate Dividend Tax Paid		35.77	16.13
Proposed Final Dividend		294.62	253.82
Provision for Corporate Dividend Tax		50.07	43.13
Transfer to Self Insurance Reserve		30.32	24.60
Transfer to Bonds Redemption Reserve		400.18	337.01
Transfer to General Reserve		550.00	600.00
<b>Balance of Profit carried over to Balance Sheet</b>		<b>33.97</b>	16.24
		<b>1605.39</b>	1405.93
<b>Earning per Share-Basic</b> [In Rs. per share]		<b>3.6019</b>	3.3146
Face value of Rs. 10/- each			
<b>Earning per Share-Diluted</b> [In Rs. per share]		<b>3.6007</b>	3.2803
Face value of Rs. 10/- each			
<b>Incidental Expenditure During Construction</b>	27		
<b>Notes on Accounts</b>	28		
Schedules 1 to 28 and Accounting Policies form an integral part of Accounts			

## For and on behalf of the Board

(Divya Tandon)  
Company Secretary

(J.Sridharan)  
Director(Finance)

(S.Majumdar)  
Director(Projects) & CMD (Addl. Charge)

## As per our report of even date

**For A. R. & Co.**  
Chartered Accountants  
(Anil Gaur)  
Partner  
M.N. 017546

**For S R I Associates**  
Chartered Accountants  
(R N Roy Choudhury)  
Partner  
M.N. 007437

**For Umamaheswara Rao & Co**  
Chartered Accountants  
(R R Dakshina Murthy)  
Partner  
M.N. 211639

Place: Gurgaon  
Date: 18<sup>th</sup> June, 2008

## Schedule 01 – Share Capital

(Rupees in crore)		
Description	As at 31st March, 2008	As at 31st March, 2007
<b>AUTHORISED</b>		
10,00,00,00,000 (Previous year 10,00,00,00,000) equity shares of Rs. 10/- each	<u>10000.00</u>	<u>10000.00</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>		
4,20,88,41,230 (Previous Year 3,78,74,07,300) equity shares of Rs 10/- each fully paid up.		
Of the above 1,81,25,29,500 (Previous Year 1,77,37,17,500) equity Shares have been allotted as fully paid up pursuant to a contract without payment being received in cash.	<u>4208.84</u>	<u>3787.41</u>
Share Capital Deposit	<u>—</u>	<u>38.81</u>
<b>TOTAL</b>	<u>4208.84</u>	<u>3826.22</u>

## Schedule 02 – Reserves and Surplus

(Rupees in crore)				
Description	As at 1st April, 2007	Additions During the year	Deductions/ Adjustments During the year	As at 31st March, 2008
Share Premium		1607.01	23.87	<b>1583.14</b>
<b>Self Insurance Reserve</b>				
Through Appropriation of Profit	62.00	30.32		<b>92.32</b>
Through Charge to Profit & Loss account	70.44		1.65	<b>68.79</b>
General Reserve	5757.70	550.00	14.72	<b>6292.98</b>
Bonds Redemption Reserve	967.83	400.18	140.68	<b>1227.33</b>
	6857.97	2587.51	180.92	<b>9264.56</b>
Balance in Profit & Loss Account	16.24			<b>33.97</b>
<b>TOTAL</b>	<u>6874.21</u>			<u><b>9298.53</b></u>

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

(Rupees in crore)				
Description	As at 1st April, 2007	Additions During the Year	Reversals/ Adjustments during the year	As at 31st March, 2008
Advance Against Depreciation	1201.17	497.19	1.29	<b>1697.07</b>
<b>TOTAL</b>	<u>1201.17</u>	<u>497.19</u>	<u>1.29</u>	<u><b>1697.07</b></u>
Previous Year	822.23	380.43	1.49	<b>1201.17</b>

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

(Rupees in crore)				
Description	As at 1st April, 2007	Additions During the year	Deductions/ Adjustments During the year	As at 31st March, 2008
Grants in aid	264.45	—	17.65	<b>246.80</b>
	264.45	—	17.65	<b>246.80</b>
Previous Year	272.96	13.06	21.57	<b>264.45</b>



## Schedule 05A – Secured loans

Description	(Rupees in Crore)	
	As at 31st, March, 2008	As at 31st, March, 2007
<b>LOANS THROUGH BONDS</b>		
<b>BONDS VI SERIES</b>		
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	40.00	50.00
Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Gandhar Stage-I Transmission System		
<b>BONDS VII SERIES</b>		
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	—	40.00
Secured by equitable mortgage of immovable properties & hypothecation of movable properties of Kahalgaon Transmission System and Ramagundam Stage-I & II Transmission System.		
<b>BONDS VIII SERIES</b>		
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	14.00	16.00
Secured by floating charge over the Fixed Assets of the Corporation		
<b>BONDS IX SERIES</b>		
12.25% Taxable, Secured, Redeemable, Non-cummulative, Non- convertible Bonds of Rs. 1,00,000/-each redeemable at par in 10(Ten) equal annual instalments w.e.f. 22nd August, 2003	288.25	345.90
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.		
<b>BONDS X SERIES</b>		
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	507.68	571.14
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		



## Schedule 05A – Secured loans (Cont.)

Description	(Rupees in Crore)	
	As at 31st, March, 2008	As at 31st, March, 2007
<b>BONDS XI SERIES</b>		
a) 9.80% Taxable Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 3 Crore 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	407.25	452.50
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 mortgage & hypothecation on assets of Anta, Auriya, Moga-Bhiwani, Chamera-Kishenpur, Sasaram-Allahabad, LILO of Singrauli-Kanpur and Allahabad Sub-station		
b) 9.20% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible bonds of Rs 3 Crore 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	34.50	69.00
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		
	441.75	521.50
<b>BONDS XII SERIES</b>		
9.70% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 1.5 Crore 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.	138.38	153.75
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 assets of Kayamkulam & Ramagundam Hyderabad Transmission System		
<b>BONDS XIII SERIES</b>		
a) 8.63% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 1.5 Crore 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.	675.00	742.50
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 mortgage & hypothecation on assets of Kishenpur Moga & Dulhasti Contingency Transmission System		



## Schedule 05A – Secured loans (Cont.)

Description	(Rupees in Crore)	
	As at 31st, March, 2008	As at 31st, March, 2007
<p>b) 7.85% Taxable, Secured, Redeemable, Non-cumulative, Non-convertible Bonds of Rs 1.5 Crore 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</p> <p>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 &amp; hypothecation on assets of NLC Lines Trichy, Neyveli- Bahoor Line, Neyveli-Trichy Transmission System</p>	41.75	83.50
	716.75	826.00
<b>BONDS XIV SERIES</b>		
<p>6.10% Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of Rs. 1.5 Crore 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.</p> <p>Secured by way of Registered Debenture Trust Deed ranking pari passu on immovable property situated at Mouje Ambhet Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the Company.</p>	466.00	524.25
<b>BONDS XV SERIES</b>		
<p>6.68% Taxable, Secured, Non-Cumulative, Non-convertible Bonds of Rs.1.50 Crore 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.</p> <p>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.</p>	825.00	900.00
<b>BONDS XVI SERIES</b>		
<p>7.10% Taxable, Secured, Redeemable, Non-Convertible, Non-Cumulative Bonds of Rs 1.00 crore each consisting of 10 STRPP's of Rs 10.00 lakh each redeemable at par in 10 (Ten) equal annual installments w.e.f. 18.02.2009</p> <p>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.</p>	750.00	750.00



## Schedule 05A – Secured loans (Cont.)

Description	(Rupees in Crore)	
	As at 31st, March, 2008	As at 31st, March, 2007
<b>BONDS XVII SERIES</b>		
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 installments 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 assets of the company.		
<b>BONDS XVIII SERIES</b>		
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 installments w.e.f 09.03.2010.	999.00	999.00
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.		
<b>BONDS XIX SERIES</b>		
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	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.		
<b>BONDS XX SERIES</b>		
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	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.		





## Schedule 05A – Secured loans (Cont.)

Description	(Rupees in Crore)	
	As at 31st, March, 2008	As at 31st, March, 2007
<b>BONDS XXI SERIES</b>		
8.73% 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. 11.10.2010	510.00	*
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.		
<b>BONDS XXII SERIES</b>		
8.68% 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 07.12.2010.	690.00	*
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.		
<b>BONDS XXIII SERIES</b>		
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 09.02.2011	307.50	*
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.		
<b>BONDS XXIV SERIES</b>		
9.95% 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 26.03.2011	799.50	*
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.		
	<b>10488.81</b>	<b>8692.54</b>

\* Bonds XXI to XXIV series are included under Unsecured Loans in previous year

## Schedule 05A – Secured loans (Cont.)

		(Rupees in Crore)	
Description		As at 31st, March, 2008	As at 31st, March, 2007
<b>Term Loans from Banks/ Financial Institutions</b>			
Secured by a floating charge on the fixed assets of the Company			
Indian Overseas Bank	50.00		60.00
Corporation Bank	55.00		65.00
Punjab National Bank-Loan-I	100.00		120.00
Punjab National Bank-Loan-II	200.00		225.00
Oriental Bank of Commerce	166.67		187.50
Life Insurance Corporation of India-II	514.12		588.27
Life Insurance Corporation of India-III	43.72		
		1129.51	1245.77
<b>ICICI Bank Ltd.</b>			
Secured by first pari passu charge over the assets of the Company		75.00	90.00
<b>Bank of India, Cayman Islands</b>			
Secured by a Floating charge on the immovable properties of the company		317.29	369.35
<b>Loan from Asian Development Bank , Philippines</b> (Guaranteed by Govt. of India)			
<b>ADB-I</b>	569.45		*
Secured by pari passu interest in the liens created on the assets as security for the debts.			
<b>ADB-II</b>	948.76		
Secured by pari passu interest in the liens created on the assets as security for the debts.			*
<b>ADB-III</b>	671.00		*
Secured by pari passu interest in the liens created on the assets as security for the debts.			
		2189.21	
<b>* Loans from ADB-I to III are included under Unsecured Loans in Previous year</b>			
<b>Loan from International Bank for Reconstruction and Development, USA</b> (Guaranteed by Govt. of India)			
<b>PSDP I</b>	502.23		556.04
Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyachal and Rihand Transmission system.			
<b>PSDP-II</b>	1660.15		1894.57
Secured by pari passu interest in the liens created on the assets as security for the debts.			
<b>PSDP-III</b>	1189.93		205.03
Secured by pari passu interest in the liens created on the assets as security for the debts.			
		3352.31	2655.64
		7063.32	4360.76
<b>Total Secured Loans</b>		<b>17552.13</b>	<b>13053.30</b>
Due for repayment/redemption within one year		994.44	836.20

## Schedule 05B – Unsecured Loans

Description	(Rupees in Crore)	
	As at 31st, March, 2008	As at 31st, March, 2007
<b>LOANS THROUGH BONDS</b>		
<b>BONDS XXI SERIES</b>		
8.73% 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. 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.	*	510.00
<b>BONDS XXII SERIES</b>		
8.68% 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. 07.12.2010. 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.	*	690.00
<b>BONDS XXIII SERIES</b>		
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. 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.	*	307.50
<b>BONDS XXIV SERIES</b>		
9.95% 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. 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.	*	799.50

## Schedule 05B- Unsecured Loans (Cont.)

Description	(Rupees in Crore)	
	As at 31st, March, 2008	As at 31st, March, 2007
* Bonds XXI TO XXIV series are included under Secured Loans in current year		
<b>BONDS XXV</b>		
	1065.00	-
10.10% 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 12.06.2011		
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.		
<b>BONDS XXVI</b>		
	999.00	
9.30% 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 07.03.2012		
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.		
<b>BONDS XXVII</b>		
	705.00	
9.47% 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 31.03.2012		
To be secured by way of Registered Debenture Trust Deed ranking pari passu on immovable property situated at MoujeAmbheti Taluka Kaparada in district Valsaad Gujarat and floating charge on the assets of the company.		
	<u>2769.00</u>	<u>2307.00</u>
<b>Loans in Indian Currency</b>		
<b>Short Term Loans from Banks</b>	750.00	750.00
<b>Term Loans</b>		
Power Finance Corporation Limited	45.00	55.00
Government of India	<u>-</u>	<u>49.53</u>





**Schedule 05B – Unsecured Loans (Cont.)**

Description	(Rupees in Crore)	
	As at 31st, March, 2008	As at 31st, March, 2007
	<u>45.00</u>	<u>104.53</u>
	795.00	854.53
<b>Loans in Foreign Currency</b>		
<b>From Overseas Branches of Indian Banks</b>		
State Bank of India, U.K.		16.80
<b>From Foreign Banks &amp; Financial Institutions</b>		
<b>Loans Guaranteed by Govt of India</b>		
a. Natexis Banque (Credit National), France	134.51	130.62
b. Credit Agricole Indosuez (Banque Indosuez), France		7.23
c. Japan Bank for International Cooperation (Overseas Economic Corporation Fund), Japan	139.42	135.64
d. European Investment Bank, Luxembourg	101.27	107.34
e) Loan from Asian Development Bank , Philippines		
i) ADB-I		680.40
ii) ADB-II		969.75
iii) ADB-III		237.25
<b>*Loans from ADB-I to III are included under Secured Loans in current year.</b>	<u>                    .</u>	<u>                    .</u>
	375.20	2268.23
<b>Others</b>		
Kreditanstalt fur Wiederaufbau, Germany	610.94	646.59
Skandinaviska Enskild a Banken AB(publ), Sweden	<u>161.21</u>	<u>166.20</u>
	772.15	812.79
<b>NTPC Purchase Consideration</b>		
Pending Finalisation of Tripartite Agreement/ Back to Back Agreement Amount Payable to Government of India on Account of Syndicated loan from Industrial Bank of Japan	<u>                    .</u>	<u>                    .</u>
	1147.35	12.85
	<u>1147.35</u>	<u>3093.87</u>
	<u>1147.35</u>	<u>3110.67</u>
<b>Total Unsecured Loans</b>	<b><u>4711.35</u></b>	<b><u>6272.20</u></b>
Due for repayment/redemption within one year	<b>918.48</b>	<b>1063.86</b>

## Schedule 06 – Fixed Assets

(Rupees in Crore)

Description	Gross Block				Depreciation				Net Block	
	As at 1st April, 2007	Additions during the year	Adjustments during the year	As at 31st March, 2008	As at 1st April, 2007	Additions during the Year	Adjustments during the year	As at 31st March, 2008	As at 31st March, 2008	As at 31st March, 2007
<b>Land</b>										
a) Freehold	302.04	13.03	7.23	307.84					307.84	302.04
b) Leasehold	45.49	25.76	(0.01)	71.26	3.05	0.80	(0.01)	3.86	67.40	42.44
c) Unclassified	0.18		0.18							0.18
<b>Buildings</b>										
a) Sub-Stations & Office	366.77	22.82	(1.72)	391.31	84.02	10.21	(0.21)	94.44	296.87	282.75
b) Township	283.77	14.82	4.51	294.08	39.20	5.18	0.71	43.67	250.41	244.57
Temporary Erection	6.98	0.72	0.02	7.68	5.44	0.35	(0.02)	5.81	1.87	1.54
Roads & Bridges	76.20	17.97	(1.23)	95.40	12.65	1.50	0.01	14.14	81.26	63.55
Water Supply	49.29	5.46	(0.05)	54.80	10.31	1.19	0.04	11.46	43.34	38.98
Drainage & Sewerage										
<b>Plant &amp; Machinery</b>										
a) Transmission Lines	16824.20	4792.18	267.38	21349.00	3497.17	480.68	20.94	3956.91	17392.09	13327.03
b) Substation	9244.92	1869.26	210.85	10903.33	3144.33	346.94	61.52	3429.75	7473.58	6100.59
c) ULDC	700.37	0.68	12.81	688.24	138.96	31.99	0.32	170.63	517.61	561.41
d) Telecom links	839.18	25.42	41.02	823.58	135.23	50.47	0.93	184.77	638.81	703.95
Constrn.and Workshop equipment	33.03	16.61	0.01	49.63	9.36	1.50		10.86	38.77	23.67
Electrical Installation	48.23	3.46	(0.71)	52.40	17.40	2.65	(0.11)	20.16	32.24	30.83
Vehicles	2.83		0.05	2.78	2.06	0.18	0.03	2.21	0.57	0.77
Furniture Fixtures & Office equipment	88.73	10.82	(0.15)	99.70	34.10	4.73	0.29	38.54	61.16	54.63
EDP/WP Machines	46.56	5.06	0.27	51.35	34.73	4.63	0.43	38.93	12.42	12.27
Miscellaneous Assets/ Equipments	48.48	7.31	0.41	55.38	25.16	4.81	0.10	29.87	25.51	22.88
Capital Exp. on Assets not owned by the Company	10.54	0.66	(0.27)	11.47	8.43	1.04	(0.03)	9.50	1.97	2.11
<b>Intangible Assets</b>										
Afforestation Charges		113.54	(0.17)	113.71		1.49		1.49	112.22	
Softwares	0.84	0.17		1.01	0.40	0.23		0.63	0.38	0.44
<b>Grand Total</b>	<b>29018.63</b>	<b>6945.75</b>	<b>540.43</b>	<b>35423.95</b>	<b>7202.00</b>	<b>950.57</b>	<b>84.94</b>	<b>8067.63</b>	<b>27356.32</b>	<b>21816.63</b>
Less: Provisions for assets discarded				6.81				5.69	1.12	
				35417.14				8061.94	27355.20	
Previous Year	24892.25	4099.36	(27.02)	29018.63	6375.45	834.03	7.48	7202.00	21816.63	
Less: Provisions for assets discarded				4.00				3.44	0.56	
				29014.63				7198.56	21816.07	
					31.12.2008	31.03.2007				
Depreciation (Addition during the year)					950.57	834.03				
Less: Transferred to Incidental Expenditure During Construction					5.36	6.45				
					945.21	827.58				
Add: Depreciation amortised due to FERV adjustment					14.44					
Charged to Profit & Loss Account					959.65	827.58				

## Schedule 07 – Capital Work In Progress

(Rupees in Crore)

Description	Balance As at 01.04.2007	Additions during the year	Adjustments during the year	Capitalised during the year	Balance As at 31.03.2008
<b>Land</b>					
Development of land	20.34	6.50	4.23	3.37	<b>19.24</b>
<b>Buildings</b>					
a) Sub-Stations & Office	28.56	23.91	4.42	21.74	<b>26.31</b>
b) Township	23.49	38.10	(0.52)	14.32	<b>47.79</b>
Temporary erection	0.56	0.55	0.08	0.66	<b>0.37</b>
Roads & Bridges	10.98	16.74	0.17	17.59	<b>9.96</b>
Water Supply Drainage and Sewerage	3.35	7.84	0.08	4.57	<b>6.54</b>
<b>Plant &amp; Machinery (including associated civil works)</b>					
a) Transmission Lines	5045.98	3825.74	98.95	4773.28	<b>3999.49</b>
b) Sub-Station	740.53	2075.96	4.72	1859.94	<b>951.83</b>
c) ULDC	2.97	0.72		0.06	<b>3.63</b>
d) Telecom links	35.81	11.67	2.06	25.22	<b>20.20</b>
Furniture, Fixtures & Other office equipment	0.08	0.04	0.02	0.01	<b>0.09</b>
Electrical installations	5.14	8.15	0.85	3.40	<b>9.04</b>
Survey, Investigation, Consultancy & Supervision Charges	53.62	10.80	5.89	11.24	<b>47.29</b>
Difference in Exchange on foreign Loans	(2.88)	(288.94)	(183.99)	(88.21)	<b>(19.62)</b>
Capital expenditure on assets not owned by Company	2.68	0.71	(0.22)	0.64	<b>2.97</b>
Incidental Expenditure during Construction	97.64	497.02	516.84		<b>77.82</b>
<b>Intangible Assets</b>					
Afforestation Charges		69.89	(146.11)	113.54	<b>102.46</b>
<b>TOTAL</b>	<b>6068.85</b>	<b>6305.40</b>	<b>307.47</b>	<b>6761.37</b>	<b>5305.41</b>
Previous Year	3635.78	6861.40	415.77	4012.56	<b>6068.85</b>

## Schedule 08 - Construction Stores and Advances

(Rupees in crore)

Description	As at 31st March, 2008	As at 31st March, 2007
Construction Stores {Including Material in transit/pending issue to contractors and with contractors of Rs.2606.60 Crore(Previous Year Rs 2691.47 Crore)}		
Towers	625.75	610.31
Conductors	1086.71	895.28
Other Line Materials	398.94	271.18
Sub-Station Equipments	477.55	823.34
HVDC Equipments		70.99
ULDC Materials	3.01	1.89
Telecom Materials	10.66	18.03
Steel	1.25	0.75
Cement		0.01
Others	14.53	20.56
	<u>2618.40</u>	<u>2712.34</u>
Less: Provision for Shortages and obsolete material	<u>0.01</u>	<u>3.93</u>
	2618.39	2708.41
<b>Advances for Capital Expenditure</b>		
Secured		
Considered Good	1.67	1.56
Unsecured		
Considered Good		
a. Against Bank guarantees	641.97	625.38
b. Others	190.65	36.19
Considered Doubtful	1.91	1.91
	<u>834.53</u>	<u>663.48</u>
Less: Provision for Bad & Doubtful Advances	<u>1.91</u>	<u>1.91</u>
	832.62	661.57
	<u>834.29</u>	<u>663.13</u>
	<b>3452.68</b>	<b>3371.54</b>

## Schedule 09 – Investments

(Rupees in Crore)

Description	As at 31st, March, 2008	As at 31st, March, 2007
<b>LONG TERM</b>		
<b>A . TRADE INVESTMENTS</b>		
<b>I. Govt.Securities ( Unquoted ):-</b>		
<b>a) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of:</b>		
Andhra Pradesh	144.42	162.47
Arunachal Pradesh	4.18	4.70
Assam	134.24	151.02
Bihar	129.71	145.93
Gujarat	56.03	63.03
Haryana	64.40	72.45
Himachal Pradesh	2.26	2.55
Jammu & Kashmir	129.58	145.78
Karnataka	-	21.38
<b>Less:</b> bonds payable to NLC	-	1.26
	-	20.12
Kerala	19.29	21.70
Madhya Pradesh	83.25	93.65
Maharashtra	10.78	12.12
Manipur	25.36	28.53
Meghalaya	0.35	0.39
Mizoram	0.02	0.02
Nagaland	11.14	12.54
Punjab	37.55	42.25
Rajasthan	10.90	19.62
Sikkim	9.01	10.14
Tamil Nadu	-	31.53
Tripura	0.73	0.82
Uttar Pradesh	369.17	415.31
Uttaranchal	41.01	46.14
West Bengal	64.39	72.44
Jharkhand	89.21	100.36
	<b>1436.98</b>	<b>1675.61</b>
<b>b) Other Bonds:-</b>		
15 years 8.5% J&K Govt. Bonds 2017, Interest payable semi-annually, redeemable w.e.f 30.11.2007	21.93	23.08
15 years 8.5% J&K Govt. Bonds 2018, Interest payable semi-annually, redeemable w.e.f 31.03.2008	25.52	26.87
<b>II. Equity Shares-Fully Paid up :-</b>	<b>47.45</b>	<b>49.95</b>
<b>Quoted</b>		
120,00,006(Previous year 120,00,006) Shares of Rs.10/- each fully paid up of PTC India Ltd.	12.00	12.00



## Schedule 09 – Investments (Cont.)

Description	(Rupees in Crore)	
	As at 31st, March, 2008	As at 31st, March, 2007
{Market Value Rs 116.16 crore @ 96.80 (NSE) per share(Previous year Rs. 71.46 crore @ 59.55 (NSE) per share)}		
<b>Unquoted</b>		
<b>Subsidiary Company</b>		
50,000( Previous year 50,000) Equity shares of Rs 10/- each fully paid up in Byrnihat Transmission Co Ltd.	0.05	0.05
<b>Joint Venture Companies</b>		
<b>Torrent Power Grid Ltd.</b>		
13,000 (Previous Year 13,000) Equity Shares of Rs. 10/- each Fully paid up.	0.01	0.01
1,55,87,000 (Previous year NIL) Equity shares of Rs 10/- each out of which Rs 5/- per share called up and paid up.	<u>7.80</u>	
	7.81	
<b>Jaypee Powergrid Ltd.</b>		
26,00,000 (Previous year 13,000)Equity Shares of Rs. 10/- each fully paid up.	2.60	0.01
<b>Parbati Koldam Transmission Company Ltd.</b>		
13,000 (Previous Year 50,000) Equity shares of Rs 10/- each fully paid up.	0.01	0.05
<b>Powerlinks Transmission Ltd</b>		
229320000 (Previous year 229320000) Equity shares of Rs 10/- each fully paid up	<u>229.32</u>	<u>229.32</u>
	<u>239.79</u>	<u>229.44</u>
	<b>251.79</b>	<b>241.44</b>
<b>TOTAL (A)</b>	<b>1736.22</b>	<b>1967.00</b>
<b>B. Non-trade investments ( Unquoted )</b>		
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/-)		
<b>TOTAL (B)</b>		
<b>GRAND TOTAL (A+B)</b>	<b>1736.22</b>	<b>1967.00</b>

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

## Schedule 10 – Inventories

(Rupees in Crore)

Description	As at 31st March, 2008	As at 31st March, 2007
Components, Spares & other spare parts (Valuation as per Accounting policy No.11)		
i) Transmission Inventory		
Towers	79.74	53.09
Conductors	20.92	15.41
Other Line Materials	40.88	32.73
ii) Sub-Station Equipments/Spares	61.18	47.91
iii) HVDC Equipments/spares	23.16	22.92
iv) ULDC Spares	1.91	
v) Telecom Spares	5.63	0.90
vi) Other Stores	13.28	10.35
Consumable stores	0.96	0.37
Loose tools	0.76	0.64
	<u>248.42</u>	<u>184.32</u>
Less Provision for Shortages	<u>0.20</u>	<u>0.19</u>
	<u><b>248.22</b></u>	<u><b>184.13</b></u>

## Schedule 11 – Sundry Debtors

(Rupees in Crore)

Description	As at 31st March, 2008	As at 31st March, 2007
<b>Debts Outstanding for a period exceeding Six Months</b>		
Considered Good	27.07	19.18
Considered Doubtful	<u>77.26</u>	<u>79.37</u>
	104.33	98.55
<b>Other Debts</b>		
Considered Good	<u>1073.43</u>	<u>471.30</u>
	1177.76	569.85
Less: Provision for bad & doubtful debts	<u>77.26</u>	<u>79.37</u>
	<u><b>1100.50</b></u>	<u><b>490.48</b></u>

(The debtors are unsecured except to the extent of Rs 280.03 crore (Previous year Rs 260.57 crore) for which Letters of Credit held by the Company from SEBs as on 31st March, 2008)

## Schedule 12 – Cash and Bank Balances

(Rupees in Crore)

Description	As at 31st March, 2008	As at 31st March, 2007
Cash, Stamps and Imprest	0.11	0.14
Drafts/Cheques in Hand	12.39	126.73
Remittance in transit		40.34
Balances with scheduled banks-		
-In Current Accounts/Flexi deposit Account (Including Rs 592.11 crore (Previous year Rs 564.60 crore) lying in designated accounts meant for specific disbursement)	973.09*	1003.80
-In Term Deposits	<u>880.00#</u>	<u>25.81</u>
	<u><b>1865.59</b></u>	<u><b>1196.82</b></u>

\*Includes Rs 5.31 crore on account of unclaimed Dividend

# Unutilised money out of public issue

## Schedule 13 – Other Current Assets

Description	(Rupees in Crore)	
	As at 31st March, 2008	As at 31st March, 2007
Interest accrued on:		
Investments (Bonds)	67.91	78.26
Employee loans	61.84	61.57
Term/Fixed deposits	30.34	-
	160.09	139.83
Deferred Income/Expenditure from Foreign Currency Fluctuation (Net)	234.72	
Others	0.36	7.20
	<b>395.17</b>	<b>147.03</b>

## Schedule 14 – Loans and Advances

Description	(Rupees in Crore)	
	As at 31st March, 2008	As at 31st March, 2007
<b>a) Loans to</b>		
-Employees	76.95	86.14
-Long Term Advances(Under securitisation scheme)	138.82	154.25
-Others	0.12	0.07
	215.89	240.46
<b>b) Lease Receivables(State sector ULDC)</b>	737.45	822.12
<b>c) Advances</b>		
<b>Advances recoverable in cash or in kind or for value to be received</b>		
Contractors & Suppliers	15.18	6.25
(Including Material issued on loan)		
Employees	81.70	8.07
Claims recoverable	3.09	4.06
Others	107.64	66.78
	207.61	85.16
Less: Provision for bad and doubtful Advances and Claims	8.91	8.01
	198.70	77.15
Balance with Customs, Port Trust and other authorities	22.28	20.64
Advance Tax & TDS	592.98	330.89
	813.96	428.68
<b>TOTAL</b>	<b>1767.30</b>	<b>1491.26</b>
<b>Particulars of Loans and Advances</b>		
Secured	71.76	348.99
Unsecured Considered Good	1695.54	1142.27
Considered doubtful	8.91	8.01
	1776.21	1499.27
Less: Provision for Bad & Doubtful Claims	8.91	8.01
	<b>1767.30</b>	<b>1491.26</b>
<b>Due from Directors &amp; Officers of the company</b>		
Directors	0.04	0.04
Officers	16.50	10.41
Directors Maximum Amount	0.05	0.06
Officers Maximum Amount	20.27	12.74

## Schedule 15 – Current Liabilities

(Rupees in Crore)		
Description	As at 31st March, 2008	As at 31st March, 2007
<b>Sundry Creditors</b>		
For capital expenditure	851.55	1561.36
Other goods and services	133.60	138.93
	<b>985.15</b>	<b>1700.29</b>
Advance from Customers	698.04	731.22
Deposits Retention money from contractors and others.	850.87	874.40
<b>Less:</b> Investments held as security	0.28	0.36
	<b>1548.63</b>	<b>1605.26</b>
<b>Investor Education and Protection Fund</b>		
Un-paid (Un-claimed) matured bonds*	0.04	0.11
Unclaimed Dividend *	5.31	
<b>Deferred Foreign Currency Fluctuation Asset/ Liability(Net)</b>	<b>119.90</b>	
<b>Other Liabilities</b>	<b>479.02</b>	<b>226.00</b>
<b>Interest Accrued But Not Due On Loans From</b>		
Government of India		1.22
Indian Banks, Financial Institutions & Corporations	37.07	42.55
Foreign Banks & Financial Institutions	71.58	75.71
Secured/Unsecured redeemable Bonds	425.69	350.65
	<b>534.34</b>	<b>470.13</b>
<b>Total</b>	<b>3672.39</b>	<b>4001.79</b>

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

## Schedule 16 – Provisions

(Rupees in Crore)		
Description	As at 31st March, 2008	As at 31st March, 2007
<b>Taxation</b> (Including interest on Tax & FBT)		
As per last balance sheet	290.97	182.84
Additions during the year	207.61	142.81
Amounts utilised/paid during the year		34.68
	<b>498.58</b>	<b>290.97</b>
<b>Employee Benefits</b>		
As per last balance sheet	194.48	114.73
Additions during the year	91.52	94.53
Amounts utilised/paid during the period/year	22.23	14.78
	<b>263.77</b>	<b>194.48</b>
<b>Transmission incentive&amp; exgratia/special incentive</b>		
As per last balance sheet	23.75	4.18
Addition during the year	25.15	23.75
Amount paid/adjusted during the year	23.75	4.18
	<b>25.15</b>	<b>23.75</b>



## Schedule 16 – Provisions (Cont.)

Description	(Rupees in Crore)	
	As at 31st March, 2008	As at 31st March, 2007
<b>Provision for Wage revision</b>		
As per last balance sheet	27.22	
Additions during the year	193.18	27.22
	<u>220.40</u>	<u>27.22</u>
<b>Proposed Final Dividend</b>		
As per last balance sheet	253.82	215.45
Additions during the year	294.62	253.82
Amounts paid during the year	253.82	215.45
	<u>294.62</u>	<u>253.82</u>
<b>Dividend Tax</b>		
As per last balance sheet	43.13	30.21
Additions during the year	50.07	59.26
Amounts paid during the year	43.13	46.34
	<u>50.07</u>	<u>43.13</u>
<b>TOTAL</b>	<u>1352.59</u>	<u>833.37</u>

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

Description	(Rupees in crore)			
	As at 1st April, 2007	Additions/ Adjustments during the year	Deductions during the year	As at 31st March, 2008
Deferred Revenue Expenditure	12.62		5.43	7.19
Share Issue Expenses [Adjusted with share premium (Schedule 2) during the year]	0.24	23.63	23.87	
<b>TOTAL</b>	<u>12.86</u>	<u>23.63</u>	<u>29.30</u>	<u>7.19</u>
Previous Year	20.73	0.32	8.19	12.86

## Schedule 18 – Contingent Liabilities

Description	(Rupees in Crore)	
	As at 31st March, 2008	As at 31st March, 2007
Claims against the Company not acknowledged as debt in respect of		
Arbitration / Court Cases	1117.31	205.18
Land / Crop/Tree Compensation cases	545.24	453.49
Others	34.74	25.54
Disputed Tax Demands-Income Tax	69.36	40.25
Disputed Tax Demands-Others	189.67	169.12
Continuity Bonds with Custom Authorities	837.50	981.54
Others	113.50	75.26
<b>Total</b>	<u>2907.32</u>	<u>1950.38</u>

## Schedule 19 – Revenue from Operations

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Revenue from Transmission Charges (Refer Note No.19 of Schedule 28 )	4613.83	3626.94
Less: Advance Against Depreciation	497.19	380.43
	4116.64	3246.51
Add: Revenue Recognised out of AAD	1.29	1.49
	4117.93	3248.00
FERV recoverable/payable as adjustment to Transmission income (Net)	70.59	
	4188.52	3248.00
Income from Short Term Open Access Consultancy, Project Management and Supervision Fees	52.73	38.75
Revenue from Telecom	250.04	226.00
	125.51	78.22
	4616.80	3590.97
Less: Inter Divisional Transfer (Telecom)	1.98	1.12
	4614.82	3589.85

## Schedule 20 – Provisions written Back

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Provision for Interest & Principal on Bonds (CANFINA)		130.99
Doubtful debts	2.81	0.89
Obsolete construction stores	3.92	1.38
Doubtful claims	1.51	
Others	0.15	0.17
	8.39	133.43

## Schedule 21 – Other Income

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Dividend on Trade Investments	5.39	1.20
<b>Interest From</b>		
Govt. Securities		
8.5% Tax Free Bonds	133.65	154.31
Taxable Bonds [TDS NIL (Previous year 0.27 crore)]	4.21	5.82
Loan to State Govt. in settlement of dues from Customers	12.13	13.11
Indian Banks [TDS 13.48 crore (Previous year 6.90 crore)]	80.55	11.38
Others [TDS Rs. NIL (Previous year 13.71 crore)]	28.04	76.36*
	258.58	260.98

## Schedule 21 – Other Income (Cont.)

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Profit on sale of fixed assets	6.14	0.05
Deferred Income (Transferred from Grants-in-aid)	17.65	17.67
Short Term Open Access-Other Charges	21.11	17.59
Transfer from Insurance Reserve on A/c of Losses of Fixed Assets	1.65	
Lease Income-State Sector ULDC	66.54	56.08
Reimbursement from Joint Venture/IPTC Companies	19.46	
Surcharge on late payments from Customers	0.24	5.16
Hire charges for equipments	0.39	0.53
FERV gain	42.96	
Miscellaneous income	36.63	28.80
	<b>476.74</b>	<b>388.06</b>
Less: Income transferred to incidental expenditure during construction-Sch 27(E)	<b>18.42</b>	<b>14.19</b>
<b>TOTAL</b>	<b>458.32</b>	<b>373.87</b>

\* (Including Rs. 61.09 crore for CANFINA Bonds)

## Schedule 22 - Employees' Remuneration and Benefits

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Salaries, wages, allowances & benefits	565.05	371.77
Contribution to provident and other funds	41.23	36.52
Welfare expenses	85.32	59.92
	<b>691.60</b>	<b>468.21</b>
Less: Transferred to Incidental Expenditure during Construction-Schedule 27(A)	<b>168.95</b>	<b>125.38</b>
	<b>522.65</b>	<b>342.83</b>
Less: Recoverable from MOP on account of APDRP	<b>3.59</b>	<b>3.95</b>
	<b>519.06</b>	<b>338.88</b>

## Schedule 23 – Transmission, Administration and other Expenses

Description	(Rupees in Crore)	
	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Repair & Maintenance		
Buildings	15.52	11.22
Plant & Machinery		
Sub Station	78.17	83.86
Transmission lines	13.16	15.25
Construction equipment	0.01	0.01
Others	17.36	13.13
	<b>108.70</b>	<b>112.25</b>

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

(Rupees in Crore)

Description		For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Power charges	53.47		49.86
Less: Recovery from contractors	<u>1.72</u>		<u>0.17</u>
		51.75	49.69
Expenses of Diesel Generating sets		3.51	2.50
Stores & spares consumed		0.03	0.01
Water charges		0.69	0.52
Right of Way charges(Telecom)		<u>1.42</u>	<u>0.46</u>
		<b>181.62</b>	<b>176.65</b>
Training & Recruitment expenses	6.65		6.74
Less: Fees for training and application	<u>0.23</u>		<u>0.55</u>
		6.42	6.19
Legal expenses		3.26	4.86
Professional charges		2.37	1.88
Consultancy expenses		1.37	1.45
Communication expenses		9.00	7.87
Travelling & Conveyance Expenses	49.36		44.60
Foreign travel	<u>4.70</u>		<u>4.04</u>
		54.06	48.64
Tender expenses	3.27		2.18
Less: Sale of tenders	<u>1.03</u>		<u>0.90</u>
		2.24	1.28
Remuneration to auditors			
Audit Fees	0.10		0.10
Tax Audit Fees	0.03		0.03
In Other Capacity	0.15		0.16
Out of pocket Expenses	<u>0.48</u>		<u>0.43</u>
		<b>0.76</b>	<b>0.72</b>
Advertisement and publicity		7.20	5.90
Printing and stationery		4.22	3.90
Books,Periodicals and Journals		3.35	3.14
EDP hire and other charges		1.96	1.54
Entertainment expenses		1.37	1.29
Brokerage & Commission		0.09	0.05
Donations		0.37	0.16
Research & Development expenses		0.34	1.32
Cost Audit Fees		0.03	0.03
Rent		4.91	4.15
Miscellaneous expenses		17.00	9.24
Horticulture Expenses		3.34	2.38
Security Expenses		29.49	23.80
Hiring of Vehicle		31.10	29.82
Insurance		9.83	16.30
Rates and taxes		20.23	16.74



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

(Rupees in Crore)

Description	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Bandwidth charges, Dark fibre lease charges (Telecom) etc.	6.13	2.42
Bad debts written off		0.93
Non operating expenses	0.59	0.15
Transit Accomodation Expenses	2.29	1.61
Less : Recovery for usage	0.67	0.15
	<u>1.62</u>	<u>1.46</u>
	<u>222.65</u>	<u>197.61</u>
	<u>404.27</u>	<u>374.26</u>
Less: Transferred to Incidental Expenditure during Construction-Sch. 27(B)	69.59	66.80
	<u>334.68</u>	<u>307.46</u>
Less: Recoverable from MOP on account of APDRP	0.71	0.97
	<u>333.97</u>	<u>306.49</u>
Loss on Disposal/Write off of Fixed Assets	7.45	0.13
<b>TOTAL</b>	<u>341.42</u>	<u>306.62</u>
Stores & spares consumption included in repair and maintenance	25.81	16.94

**Schedule 24 – Provisions**

(Rupees in Crore)

Description	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Shortage on physical verification of Fixed assets	0.56	
Doubtful debts loans and advances	1.48	1.92
Doubtful Insurance Claims		0.82
Doubtful claim	1.23	
Others	0.56	
<b>TOTAL</b>	<u>3.83</u>	<u>2.74</u>

## Schedule 25 – Interest and Finance Charges

(Rupees in Crore)

Description	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
<b>Interest on Loan from</b>		
Government of India	3.46	8.28
Indian Banks, Financial Institutions & Corporations	247.89	224.85
Foreign Banks and Financial Institutions	304.69	279.91
Secured/Unsecured redeemable Bonds (Previous year amount includes Rs 138.95 crore for CANFINA Bonds)	1015.94	864.11
Others	21.58	
	<b>1593.56</b>	<b>1377.15</b>
Add/Less: FERV as adjustment to borrowing cost	<b>76.26</b>	<b>(62.35)</b>
	<b>1669.82</b>	<b>1314.80</b>
<b>Finance Charges</b>		
Rebate to Customers	67.64	60.62
Commitment charges	5.80	7.47
Foreign Exchange Rate Variation	0.37	0.05
Guarantee fee	61.57	53.07
Other finance charges ( Previous year amount includes Rs. 9.20 crore being Front end fee in respect of CANFINA Bonds)	4.30	17.70
	<b>139.68</b>	<b>138.91</b>
	<b>1809.50</b>	<b>1453.71</b>
Less: Transferred to Incidental Expenditure during Construction-Schedule 27 (D )	469.95	313.29
<b>TOTAL</b>	<b>1339.55</b>	<b>1140.42</b>

## Schedule 26 – Prior Period Expenditure/(Income) (Net)

(Rupees in Crore)

Description	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
<b>Income</b>		
Transmission charges	3.20	10.35
Revenue from Telecom	0.05	0.17
Depreciation written back	2.35	7.43
FERV gain	8.12	
FERV recoverable/payable as adjustment to Transmission income (Net)	56.20	
Depreciation written back on account of FERV	33.15	
Others	5.36	1.55
	<b>108.43</b>	<b>19.50</b>



**Schedule 26 – Prior Period Expenditure/(Income) (Net) (Cont.)**

(Rupees in Crore)

Description	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
<b>Expenditure</b>		
Power charges		0.16
Rates and taxes	0.21	0.06
Depreciation	2.06	2.56
Depreciation amortised due to FERV	2.05	
Transmission charges written back on account of revision of tariff	3.68	3.80
Telecom Revenue written back		0.13
Transmission charges written back on a/c of FERV(Net)	10.13	
FERV adjustment to Borrowing cost(Net)	264.57	
Others	8.22	2.80
	<b>290.92</b>	<b>9.51</b>
Prior period expenditure/(income )(Net)	<b>182.49</b>	<b>(9.99)</b>
Less: Transferred to Incidental Expenditure during Construction -Schedule 27	0.43	(0.71)
	<b>182.06</b>	<b>(9.28)</b>

**Schedule 27 – Incidental Expenditure During Construction**

(Rupees in Crore)

Description	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
<b>A. Employees Remuneration &amp; Benefits</b>		
Salaries, wages, allowances and benefits	135.90	97.89
Contribution to provident and other funds	10.07	10.16
Welfare expenses	22.98	17.33
<b>Total(A)</b>	<b>168.95</b>	<b>125.38</b>
<b>B. Other Expenses</b>		
Repairs and Maintenance		
Buildings	3.71	3.02
Construction equipment		0.08
Others	1.36	1.96
	<b>5.07</b>	<b>5.06</b>
Power charges	5.27	4.72
Less: Recovered from contractors	1.39	0.13
	<b>3.88</b>	<b>4.59</b>
Expenses of Diesel Generating sets	1.09	0.69
Water charges	0.03	0.06
Training & recruitment Expenses	3.43	4.15
Legal expenses	1.68	2.27
Professional charges	1.22	0.90
Consultancy expenses	0.35	0.45
Communication expenses	2.84	2.88
Travelling & Conv.exp. (Including Foreign Travel)	17.31	17.99
Tender expenses	2.25	1.75
Less: Income from sale of tenders	0.66	0.67
	<b>1.59</b>	<b>1.08</b>

## Schedule 27 – Incidental Expenditure During Construction

(Rupees in Crore)

Description	For the Year Ended 31st March, 2008	For the Year Ended 31st March, 2007
Payment to Auditors	0.45	0.45
Advertisement and Publicity	3.63	3.12
Printing and stationery	1.73	1.77
Books,Periodicals and Journals	1.00	1.09
EDP hire and other charges	0.73	0.57
Entertainment expenses	0.50	0.54
Brokerage and commission	0.01	0.01
Rent	1.41	1.30
Miscellaneous expenses	7.95	4.76
Horticulture Expenses	0.53	0.41
Security Expenses	4.08	3.15
Hiring of Vehicles	7.81	8.36
Insurance	0.11	0.11
Rates and taxes	0.47	0.49
Bandwidth,Dark fibre, lease charges etc	0.01	0.05
Transit Accomodation Expenses	0.69	0.49
Less:Income from guest house	0.01	0.04
	0.68	0.45
Non Operation Expenses		0.05
<b>Total (B)</b>	<b>69.59</b>	<b>66.80</b>
Prior Period adjustment (net)	0.43	(0.71)
<b>Total (B1) (including prior period)</b>	<b>70.02</b>	<b>66.09</b>
<b>C. Depreciation</b>	<b>5.36</b>	<b>6.45</b>
<b>D. Interest and Finance Charges</b>		
<b>Interest on Loans from</b>		
Indian Banks,Financial Institutions and Corporations	27.45	14.35
Foreign Banks and Financial Institutions	81.22	45.93
Secured/Unsecured Redeemable Bonds	336.25	248.44
Add/Less: ERV as adjustment to borrowing cost	-	(22.34)
	<b>444.92</b>	<b>286.38</b>
<b>Finance Charges</b>		
Commitment charges	5.79	7.25
Guarantee fee	18.63	9.82
Other Finance Charges	0.61	9.84
	<b>25.03</b>	<b>26.91</b>
<b>Total (D)</b>	<b>469.95</b>	<b>313.29</b>
<b>E. Less: Other Income</b>		
<b>Interest from</b>		
Indian banks	5.93	4.80
Others	9.23	7.34
Sub-Total	<b>15.16</b>	<b>12.14</b>
Miscellaneous income	2.99	1.98
Hire charges	0.27	0.07
<b>Total (E)</b>	<b>18.42</b>	<b>14.19</b>
<b>GRAND TOTAL (A+B1+C+D-E)</b>	<b>695.86</b>	<b>497.02</b>



## SCHEDULE 28 : NOTES ON ACCOUNTS

- 1
  - 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) The company's land in the State of Jammu & Kashmir and in certain other cases, 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. 31.91 crore) in respect of land acquired for residential complex at Gurgaon for which conveyance deed in favour of the Company is yet to be executed.
  - d) Leasehold land includes Rs. 7.64 crore (previous year Rs.7.64 crore) in respect of land acquired for office complex on perpetual lease basis with an unlimited useful life at Katwaria Sarai, New Delhi and hence no depreciation is charged.
- 2 Township buildings includes 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.
- 3 As per the directions of Ministry of Power, the company has transferred switchyards at Faridabad and Kayamkulam Power Station to NTPC w.e.f. 1<sup>st</sup> September, 2007 for a purchase consideration of Rs. 19.80 crore & Rs. 60.29 crore respectively and accounted for accordingly.
- 4 Plant and machinery under substation in fixed assets (Schedule No 6) includes 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.
- 5 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<sup>nd</sup> February, 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<sup>th</sup> March, 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, the amount refunded during the year to the tune of Rs. 2.85 crore (previous year Rs. 0.46 crore) has been de-capitalised. However, the liability towards interest is included under contingent liability.
- 6 Pending reconciliation, materials amounting to Rs. 35.26 crore (previous year Rs.27.66 crore) in commissioned lines is shown as construction stores lying with contractors.
- 7 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. 1<sup>st</sup> April,1993 as mutually agreed upon terms with NHPC pending completion of legal formalities.
- 8 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 (GOI). The Assets of RLDCs are being used by the company pending transfer of ownership and determination of cost of assets so taken over.



- 9 Hon'ble High Court of Karnataka has declared the Karnataka Special Tax on Entry of Certain Goods Act, 2004 as illegal and directed the concerned authority to refund the amount of Entry Tax collected since inception of the Act. The Company capitalised Rs. 13.62 Crore paid towards entry tax. The same will be decapitalised upon receipt of refund for which application was made.
- 10
  - a) Balances in Loans & Advances, material with contractors, Sundry Creditors, Advances from customers and Sundry Debtors are subject to confirmation and consequential adjustments if any.
  - b) In the opinion of the management, the value of Current Assets, Loans and Advances, on realisation in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
- 11 Cash & Bank Balances include Rs. 26.74 crore (previous year Rs. 23.47 crore) on account of deduction of tax at source on perquisites to employees as per the provisions of the Income Tax Act, 1961, which was deposited in a separate bank account as per Orders of the Hon'ble Calcutta High Court.
- 12 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 for consideration other than cash on April 14, 2007.
- 13 During the year the company had made Initial Public Offer (IPO) of 573,932,895 equity shares of Rs. 10/- each for cash at a price of Rs. 52/- per share including premium of Rs. 42/- consisting of fresh issue of 382,621,930 equity shares by the company including reservation of 13,978,000 equity shares for its employees and offer for sale of 191,310,965 equity shares by the President of India acting through Ministry of Power, Government of India aggregating to Rs. 2,984.45 crore including premium. The company retained Rs. 1,989.63 crore as its share of the issue proceeds including share premium of Rs. 1,607.01 crore and the sale proceeds of the equity of Government of India amounting to Rs. 994.82 crore was paid to Govt. of India (GOI). Out of the proceeds, a sum of Rs. 1085.87 crore has been utilised during the year for part financing the capital expenditure on the projects specified for utilisation and balance amount has been invested as per the investment policy of the company.
- 14 Government of India's share in the issue expenses amounting to Rs. 4.34 crore, as agreed by the company with Government of India, has been accounted for as amount recoverable and included under the head claims (Schedule- 14). The balance amount of issue expense of Rs. 23.87 crore has been adjusted against Share premium account (Schedule - 2).
- 15 In respect of Bond series XXV to XXVII aggregating to Rs. 2769 crore, issued during the year, trust deed has not been executed till the finalisation of financial statements. In accordance with the past practice, the bonds though issued on secured terms, are shown as unsecured.
- 16 Information in respect of cost plus consultancy contracts, considering the same as consultancy business in view of AS-7 on "Construction Contracts (revised 2002)".

Rs. in crore

Particulars		Year ended 31.03.2008	Year ended 31.03.2007
i)	The amount of revenue recognised on cost plus consultancy contract work in 2007-08	227.25	211.42
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 (Progress of work is taken as certified by engineer in charge).	As Per Policy	As Per Policy
iii)	Cumulative amount of costs incurred on construction contracts	4845.82	3024.72
iv)	Cumulative amount of advance received from customers	5609.41	4137.40
v)	Amount of retention money with customers	15.28	7.11
vi)	Gross amount due from customers for contract work as an asset	0	25.23
vii)	Gross amount due to customers for contract work as a liability	300.99	636.54



- 17
  - a) During the year the company has continued to provide depreciation at the rates notified for the purpose of recovery of tariff, by CERC (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. 625.88 crore (previous year Rs.498.01 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 transmission assets for which rates are not specified by the CERC/competent government as stated at 17(a) above.
- 18 Wage revision of the employees of the company is due w.e.f. 1<sup>st</sup> January, 2007. The 2<sup>nd</sup> Pay revision committee constituted by Government of India has submitted its recommendations on 30<sup>th</sup> May, 2008. The same are yet to be approved by the Central Government and accordingly be made applicable to the company. Pending such approval, the company has made a provision of Rs. 193.18 crore towards the impact of the recommendations as against previous year provision of Rs. 27.22 crore based on earlier wage revision principles.
- 19
  - 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, are being followed by the company for recognition of income. Since the subject matter of the appeal is for restoration of certain components of tariff on par with the erstwhile Government of India (GOI) norms, which will be more favourable than CERC norms, the impact of the appeal shall not result in reduction of revenue.
  - b) During the year transmission income has been recognized following the final tariff orders wherever issued by CERC. In respect of transmission lines where final tariff orders are awaited, the transmission income is accounted for as per tariff norms and other amendments notified by CERC in similar cases. On issuance of final tariff orders by CERC, adjustments are being made wherever transmission income was recognised on provisional basis in earlier years and the same is treated as income of the years on consistent basis.
  - c) Transmission Tariff in respect of North-eastern region (NER) transmission projects have been notified by CERC, effective from 1<sup>st</sup> April, 2007, as per CERC (terms and conditions of tariff) regulations, 2004 in place of Unified common pool transmission tariff ( UCPTT) rates of Rs. 33.465764 paisa per unit. Accordingly, transmission income of Rs. 210.22 crore in respect of NER constituents has been recognized during the year.
  - d) Govt. of India vide order dated 16<sup>th</sup> 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 11<sup>th</sup> 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 (ATE). The order of the CERC has been set aside by the Hon'ble Tribunal vide its order dated 16<sup>th</sup> May 2006, and has remitted the matter to CERC for re-determination of tariff w.e.f 01<sup>st</sup> April 2004. Some of the beneficiaries have filed stay petitions and appeals against the aforesaid order before Hon'ble Supreme Court of India. The Hon'ble Supreme Court of India has not granted the stay of orders passed by ATE. During the year, CERC in accordance with directions of ATE has notified revised tariff in respect of above matter for the block period 2004-09. Accordingly arrears of transmission income of Rs. 231.60 crore has been recognized during the year.
  - e) On the issue of deployment of FERV, the Hon'ble Appellate Tribunal for Electricity has issued Order dated 04<sup>th</sup> October, 2006 and 22<sup>nd</sup> December, 2006 in favour of the appellant beneficiaries. The company had filed an appeal before the Hon'ble Supreme Court of India. CERC, subject to the decision of the Hon'ble Supreme Court in the matter, has revised transmission tariff for the period from 2001-09 during the year in accordance with directions of ATE. Accordingly during the year transmission income has been reduced by 105.92 crore relating to earlier years following the deployment of FERV.



- f) During the year, upon resolution of the Issue relating to tariff in respect of notionally capitalized elements of IDC and IEDC for delayed/suspended period of commercial operation by CERC in one of the petitions filed, an amount of Rs35.07crore has been recognised as Transmission Income.
- g) As per the "Tariff Policy" issued on 6<sup>th</sup> January, 2006, CERC shall specify the terms and conditions for the determination of tariff. The Policy includes the following major items:
  - The Return on investment would be notified by CERC based on either Return on Equity (ROE) 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 (FERV) 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 CERC norms.

- 20 a) (i) FERV loss (to the extent not exceeding the difference between the Interest on foreign currency borrowing and local currency borrowing) has been adjusted to borrowing cost amounting to Rs. 76.26 crore ( net of Nil FERV loss for the construction projects){previous year FERV gain of Rs.40.01crore (net of Rs. 22.34 crore FERV gain for the construction projects) } towards loan liabilities attributable to fixed assets (previous year only with respect to fixed assets not acquired from a country outside India).
- (ii) FERV Gain of Rs. 288.94 crore (previous year FERV loss Rs. 32.22 crore) has been adjusted in the respective carrying amount of Fixed Assets / Capital work in Progress (CWIP).
- (iii) FERV Gain of Rs 42.96 crore has been recognized as income in the profit & loss Account in terms of provisions of AS-11 ( revised 2003)
- b) Finance charges for the year include an amount of Rs. 0.37 crore (previous year Rs. 0.05 crore) being the FERV loss on Current Assets.

- 21 Pending receipt of opinion from Expert Advisory Committee (EAC) of Institute of Chartered Accountant of India (ICAI), the company has changed the accounting treatment of FERV gain on loans contracted before 1<sup>st</sup> April, 2004 towards fixed assets not acquired from outside India, which was hitherto considered as an adjustment to borrowing cost, has now been adjusted in the carrying cost of the related fixed assets. This change has been effected w.e.f. 1<sup>st</sup> April, 2000 when the AS-16 "Borrowing Costs" became applicable.

In respect of loans contracted on or after 1<sup>st</sup> April, 2004, such FERV gain which was hitherto considered as an adjustment to borrowing cost has now been taken to profit & loss a/c.

This has resulted in increase of prior period expenditure by Rs. 264.57 crore, with a corresponding increase in prior period income by way of depreciation written back of Rs. 33.15 crore, prior period FERV gain of Rs. 8.12 crore and decrease in carrying cost of assets/CWIP by Rs 223.30 crore. In addition, there is an increase in FERV gain accounted as other income by Rs. 39.26 crore (included in note no.20(a)(iii) above) during the current year.

- 22 FERV, on restatement of loans, is either taken to profit & loss a/c or adjusted to carrying cost on accrual basis as per the relevant accounting policy Such FERV is recoverable/payable on actual payment basis as per CERC Norms with effect from 1<sup>st</sup> April, 2004 or date of commercial operation whichever is later. As per the opinion given by EAC of ICAI, which was sought by the company, such FERV is accounted for as per accounting policy no 9.3.

This has resulted in increase in profit by Rs 100.17 crore out of which prior period income is Rs. 44.02 crore.

- 23 Upon clarification issued by the Ministry of Company Affairs, with reference to treatment of FERV in respect of assets acquired from a country outside India, which was hitherto adjusted in the carrying cost of the related asset is now being accounted for as an adjustment to borrowing cost to the extent it does not exceed domestic borrowing cost in accordance with AS-16 read with ASI 10 and balance as an adjustment to carrying cost in respect of loans contracted upto 31<sup>st</sup> March, 2004. In respect of loans contracted after 1<sup>st</sup> April, 2004 the same is taken to profit & loss a/c. The change has resulted in increase in borrowing cost by Rs 49.41 Crore (included in note no.20(a)(i) above), increase in FERV gain accounted as other income by Rs 3.70 Crore (included in note no.20(a)(iii) above) on account of FERV gain and decrease in carrying cost of the assets by Rs 45.71 crore and decrease in depreciation by Rs 2.91crore.





- 24 Other Income includes Rs 17.65 crore (previous year Rs.17.67 crore) being the amount transferred from Grants-in- Aid (received in respect of Chandrapur HVDC, NER ULDC and Salakati ) as per Accounting Policy No. 3.1.
- 25 Since 2006-07, the company has adopted AS-15 (revised 2005) 'Employee Benefits' which is made mandatory from 01-04-2007.

Defined employee benefit schemes are as under:-

**A. Provident Fund**

Company pays fixed contribution to Provident Fund at predetermined rates to a separate trust, which invests the funds in permitted securities. The contribution to the fund for the period is recognized as expense and is charged to profit & loss a/c. The obligation of the company is limited to such fixed contribution. However, the trust is required to pay a minimum rate of interest on contributions to the members as specified by GOI. The fair value of the assets of the provident fund including the returns on the assets thereof, as on the balance sheet date is greater than the obligations under the defined contribution plan.

**B. Gratuity**

The company has a defined benefit gratuity plan. Every employee who has rendered continuous service of five years or more is entitled to get gratuity at 15 days salary ( 15/26 X last drawn basic salary plus, dearness allowance) for each completed year of service subject to a maximum of Rs. 3.50 Lacs, on superannuation, resignation, termination, disablement or on death. The scheme is funded by the company and is managed by a separate trust. The liability for the same is recognised on the basis of actuarial valuation on annual basis.

**C. Leave Travel Concession (LTC)**

The company has a scheme of providing Leave Travel Concession (LTC) to employees and their dependents. The scheme is unfunded and is recognised in profit & loss a/c on the basis of actuarial valuation on annual basis.

**D. Post-Retirement Medical Facility (PRMF)**

The company has Post-Retirement Medical Facility (PRMF), under which retired employee and the spouse are provided medical facilities in the empanelled hospitals. They can also avail treatment as Out-Patient subject to a ceiling fixed by the company. The scheme is unfunded and is recognised in profit & loss a/c on the basis of actuarial valuation on annual basis.

**E. Other Defined Retirement Benefits (ODRB)**

The Company has a scheme for settlement at the time of superannuation at home town for employees and dependents. The scheme is unfunded and is recognised in profit & loss a/c on the basis of actuarial valuation on annual basis.

**The summarised position of various defined benefits recognized in the Profit & Loss Account, Balance Sheet and the funded status are as under:-**

- a) Expenses recognised in profit & loss account

(Rs in crore)

	GRATUITY		PRMF		LTC	ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Current Year	Previous Year
Current Service Cost	7.25	5.99	2.28	1.93	4.72	7.79	0.52
Interest cost on benefit obligation	10.06	8.25	3.73	2.89	1.25	0.57	0.46
Expected return on plan assets	(10.10)	(9.34)	-	-	-	-	-
Net actuarial (gain)/loss recognized in the year	3.75	4.86	1.18	3.38	6.06	(7.53)	(0.09)
Expenses recognized in the profit & loss a/c.	10.96	9.70	7.19	8.20	12.03	0.83	1.07

- b) Weighted average rate of return on plan assets during the year 8.71%

c) The amount recognized in the Balance Sheet

(Rs in crore)

	GRATUITY		PRMF		LTC	ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Current Year	Previous Year
Present value of obligation as at 31/03/2008(i)	143.46	125.85	53.14	46.63	16.69	7.82	7.10
Fair value of plan assets as at 31/03/2008 (ii)	130.58	118.50	-	-	-	-	-
Difference (ii) – (i)	(12.88)	(7.35)	(53.14)	(46.63)	(16.69)	(7.82)	(7.10)
Net asset (liability) recognized in the Balance Sheet	(12.88)	(7.35)	(53.14)	(46.63)	(16.69)	(7.82)	(7.10)

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

(Rs in crore)

	GRATUITY		PRMF		LTC	ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Current Year	Previous Year
Present value of obligation as at 01/04/2007	125.86	109.96	46.63	38.59	15.61	7.10	6.22
Interest cost	10.06	8.25	3.73	2.89	1.25	0.57	0.47
Current Service Cost	7.25	5.99	2.28	1.93	4.72	7.78	0.52
Benefits paid	(4.33)	(3.20)	(0.68)	(0.16)	(10.95)	(0.10)	(0.18)
Net actuarial (gain)/loss on obligation	4.62	4.86	1.18	3.38	6.06	(7.53)	(0.09)
Present value of the defined benefit obligation as at 31/03/2008	143.46	125.86	53.14	46.63	16.69	7.82	7.10

e) Changes in the fair value of plan assets:

(Rs in crore)

	GRATUITY		PRMF		LTC	ODRB	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Current Year	Previous Year
Fair value of plan assets as at 01/04/2007	118.87	106.79	-	-	-	-	-
Expected return on plan assets	10.10	9.34	-	-	-	-	-
Contribution by employer	5.07	5.51	-	-	-	-	-
Benefits paid	(4.33)	(3.20)	-	-	-	-	-
Actuarial gain/(loss)	0.87	0.06	-	-	-	-	-
Fair value of plan assets as at 31/03/2008	130.58	118.50	-	-	-	-	-

- f) During the year the company has provided liability towards contribution to the Gratuity Trust of Rs 12.88 crore (Previous Year Rs. 7.35 crore) , PRMF of Rs 6.51 Crore (Previous Year Rs. 8.04 crore) and to ODRB of Rs 0.72 crore (Previous Year Rs. 0.89 crore).

F. Other Employee Benefits

- (i) Provision for Leave encashment amounting to Rs 45.37 crore (Previous Year Rs. 38.15 crore) for the year have been made on the basis of actuarial valuation at the year end and charged to Profit & Loss Account.

- (ii) In terms of AS-15 (revised 2005) on "Employee Benefits", LTC has been accounted for on the basis of actuarial valuation. Accordingly a provision of Rs. 1.08 crore for the year has been made and an amount of Rs. 0.82 crore (excluding 0.26 crore pertaining to IEDC) charged to P&L a/c. An amount of Rs. 0.89 crore for the year 2006-07 has been accounted for as prior period expenditure including 0.22 crore pertaining to IEDC. The liability towards LTC as on 1<sup>st</sup> April, 2006 amounting to Rs. 14.72 crore has been adjusted against opening balance of General Reserve as per transitional provisions of AS -15 (revised 2005).

G. Details of the Plan Asset (Gratuity)

The details of the plan assets at cost as on 31<sup>st</sup> March, 2008 are as follows:-

(Rs. in Crore)

		(At Purchase Value)	
		Current Year	Previous Year
i)	State Government Securities	21.59	21.84
ii)	Central Government Securities	32.30	29.66
iii)	Corporate Bonds/Debentures	80.02	61.17
iv)	RBI Special Deposit	5.13	5.13
		<b>139.04</b>	<b>117.80</b>

H. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

- Method used - Projected unit credit (PUC)
- Discount rate - 8%
- Expected rate of return on assets (Gratuity only) - 8.50%
- Future salary increase - 5.50%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

26 Segment Reporting

Rs. in crore

	Transmission		Consultancy		Telecom		ULDC/RLDC		Elimination		Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>Revenue:</b>												
Revenue from Operations	4474.91	3598.99	253.29	226.40	123.86	77.30	224.08	193.26	0.00	0.00	5076.14	4095.95
Inter Segment Revenue					1.98	1.12			-1.98	-1.12	0.00	0.00
Net Revenue from Operations	4474.91	3598.99	253.29	226.40	125.84	78.42	224.08	193.26	-1.98	-1.12	5076.14	4095.95
Segment result	1574.57	1357.83	160.93	157.63	-17.95	-44.50	9.45	12.23			1727.00	1483.19
Unallocated Corporate interest and other income											5.39	1.20
Unallocated corporate expenses, interest and finance charges											1.86	2.39
Income tax (Net)											282.06	252.63
Profit after Tax											1448.47	1229.37
<b>Other information:</b>												
Segment Assets	38299.29	32651.77	49.45	60.04	764.43	808.80	1477.00	1548.33			40590.17	35068.94
Unallocated Corporate and other assets											2636.12	1664.24
Total Assets											43226.29	36733.18
Segment Liabilities:	24999.63	21953.38	638.13	955.08	614.94	625.34	1279.13	1270.48			27531.83	24804.28
Unallocated Corporate and other liabilities											1947.48	976.88
Total liabilities											29479.31	25781.16
Depreciation	874.53	740.28	0.20	0.15	42.93	44.06	41.99	43.09			959.65	827.58

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



a) **Business Segments**

The company's principal business is transmission of bulk power across different States of India. However, ULDC/RLDC, telecom & consultancy business are also treated as a reportable segment in accordance with para 27 (b) of AS-17 "Segment Reporting".

b) **Segment Revenue and Expense**

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

c) **Segment Assets and Liabilities**

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

d) **The company has transmission projects located within the country and no geographical segment is distinguishable.**

27 **Related Party Disclosures:-**

a) **Related Parties:-**

i) **List of Joint Ventures:-**

**Powerlinks Transmission Limited, Torrent Power Grid Limited, Jaypee Powergrid Limited, Parbati Koldam Transmission Company Ltd, POWERGRID IL&FS Transmission Pvt. Ltd.**

ii) **Subsidiary:- Byrnihat Transmission Company Limited**

iii) **Key Management Personnel**

Dr. R. P. Singh	Chairman and Managing Director (ceased to be CMD on 30 <sup>th</sup> May, 2008 due to resignation)
Sh. S. Majumdar	Director (Projects) (Additional Charge as CMD w.e.f. 30 <sup>th</sup> May, 2008)
Sh. J. Sridharan	Director (Finance)
Sh. G. B. Pradhan	Director
Sh. Rajesh Verma	Director ( w.e.f. 2 <sup>nd</sup> August, 2007)
Sh. M. Sahoo	Director ( ceased to be Director on 29 <sup>th</sup> June, 2007)
Sh. P. K. Shetty	Director ( w.e.f. 10 <sup>th</sup> July, 2007)
Dr. A. S. Narag	Director (w.e.f. 10 <sup>th</sup> July, 2007)
Sh. Anil K. Agarwal	Director ( w.e.f. 10 <sup>th</sup> July, 2007)
Sh. F. A. Vandrevale	Director ( w.e.f. 10 <sup>th</sup> July, 2007)
Sh. M. S. Kapur	Director ( from 10 <sup>th</sup> July, 2007 to 5 <sup>th</sup> October, 2007*)
Sh. S. C. Tripathi	Director ( w.e.f. 25 <sup>th</sup> April, 2008)
Sh. Ashok Khanna	Director ( w.e.f. 25 <sup>th</sup> April, 2008)

\* Communication received from MOP on 15<sup>th</sup> October, 2007.

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

(Rs. in crore)

Particulars	Current year	Previous Year
<b>Contracts for Works/Services for services received by the Company</b>	Nil	Nil
Transactions during the year	Nil	Nil
Amount recoverable from related parties	Nil	Nil
Amount payable to related parties	Nil	Nil
<b>Contracts for Works/Services for services provided by the Company</b>		
Transactions during the year*	26.67	1.49
Amount recoverable from related parties*	21.00	0.97
<b>Dividend Received</b>	4.19	Nil
<b>Deputation of Employees</b>		
Transactions during the year	0.04	Nil
Amount recoverable from the related parties	Nil	Nil





\*This does not include transactions with respect to an agreement with Powerlinks Transmission Ltd. under which transmission charges for transmission line associated with Tala hydro electric power project are raised by Powerlinks Transmission Ltd. to the company which pay the same and collect from the respective beneficiaries.

- c) Remuneration to whole time directors including chairman and managing director(including earlier CMD) is Rs 0.35 crore (previous year Rs.0.71 crore) and amount of dues outstanding to the company as on 31<sup>st</sup> March, 2008 are Rs 0.04 crore (previous year Rs. 0.04 crore)
- 28 a) Employees remuneration and benefits include the following for the directors, including chairman and managing director(including earlier CMD) and excluding arrears paid to ex-directors.

Rs. in crore

	Current Year	Previous year
Salaries and Allowances	0.28	0.43
Contribution to Provident Fund and other Funds, Gratuity and Group Insurance	0.02	0.05
Other benefits	0.05	0.23
Directors fees	0.05	Nil

- 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.
- 29 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 “Leases” issued by the Institute of Chartered Accountants of India.

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

Rs. in crore

Particulars	Amount as on 31.03.2008	Amount as on 31.03.2007
Gross value of assets acquired & leased at the beginning of the year	912.88	912.88
Less : Adjustment for gross value of assets acquired prior to the beginning of the year.	15.08	-
Revised Gross value of the assets at the beginning of the year	927.96	912.88
Less : Capital recovery provided up to the beginning of the year	164.68	117.63
Add: Capital recovery for assets acquired prior to the beginning of the year.	(0.77)	0.00
Revised Capital recovery provided up to the beginning of the year	163.91	117.63
Capital recovery outstanding as on 31 <sup>st</sup> March of last financial year	764.05	795.25
Add: Gross value of assets capitalised and leased during the year	-	-
Less : Capital recovery for the current year	49.96	47.05
Lease receivables (*)	714.09	748.20

\* Does not include FERV and additional capitalisation after the date of commercial operation which are subject to approval of CERC, except for NRULDC where FERV and additional capitalisation, as notified by CERC vide order dated 11.04.2008, has been included in Lease Receivables as on 31.03.2008.

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

Rs. in crore

Particulars	Amount as on 31.03.2008	Amount as on 31.03.2007
Gross investment in lease	1023.29	1084.98
Unearned finance income	309.20	336.78
Present value of minimum lease payment (MLP)	714.09	748.20



Gross investment in lease and present value of minimum lease payments receivables as at 31<sup>st</sup> March, 2008 for each of the periods are as under:

Particulars	Rs. in crore			
	Gross Investment in lease		Present Value of MLPs	
	2007-08	2006-07	2007-08	2006-07
Not later than one year	101.18	97.74	53.30	50.21
Later than one year and not later than five years	404.73	389.32	250.01	234.35
Later than five years	517.38	597.92	410.78	463.64
<b>Total :</b>	<b>1023.29</b>	<b>1084.98</b>	<b>714.09</b>	<b>748.20</b>

The unearned finance income as on 31.03.2008 is Rs.309.20 crore (previous year Rs. 336.78 crore).

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

Numerator	As at 31.03.2008	As at 31.03.2007
Profit after tax as per Profit & Loss Account (Used as Numerator) (Rs. in crore)	1448.47	1229.37
<b>Denominator</b>		
Number of equity shares (Face value of Rs 10/- each)	4208841230	3787407300
Number of Shares allotted during the year	421433930	202778700
Weighted Average number of equity shares for calculating Basic earning per share	4021378772	3708927912
Weighted Average number of equity shares for calculating Diluted earning per share	4022757340	3747739912
Basic earning per share (Rs. / per share) (Face value of Rs 10/- each)	3.6019	3.3146
Diluted earning per share (Rs. / per share) (Face value of Rs 10/- each)	3.6007	3.2803

31 **Consolidated Financial Statements**

The company has an investment of Rs.0.05 crore in the equity shares of Byrnihat Transmission Company Ltd, a subsidiary company. No consolidated financial statements are prepared since the transactions of the subsidiary are not material.

- 32 a) The company has been providing deferred tax liability after adjusting the amount recoverable from beneficiaries. During the year the company has provided Rs 74.45 crore (previous year Rs. 109.82 crore) as deferred tax liability.
- b) Major components of deferred tax liabilities and assets are given as under:

Particulars	Rs. in crore	
	As on 31.03.2008	As on 31.03.2007
<u>Deferred Tax Liability</u>		
Towards Fixed Assets (Net) (A)	516.53	432.68
<u>Deferred Tax Asset</u>		
Transfer to Self Insurance Reserve	0.82	0.90
Income during Construction	5.67	4.80
Wage revision and Employee Benefits	12.23	3.41
Provisions	4.03	4.24
<b>Sub Total (B)</b>	<b>22.74</b>	<b>13.35</b>
<b>Net Deferred Tax Liability (A-B)</b>	<b>493.78</b>	<b>419.33</b>



- 33 During the year, the company has changed the treatment of capitalisation of 'afforestation charges' from related plant and machinery to Intangible Assets based on the opinion of Expert Advisory Committee (EAC) of The Institute of Chartered Accountants of India (ICAI). Accordingly Intangible assets are amortised over the useful life and where lease agreement is in force, the Intangible Asset is amortised over its useful life or lease period whichever is less. This has resulted in increase in intangible assets by Rs 113.71 crore under gross block and Rs. 102.46 crore under CWIP with a corresponding decrease in Plant & Machinery under gross block and CWIP. This has also resulted in increase in depreciation by Rs 0.15 crore with a corresponding decrease in profit during the year.
- 34 Joint Venture entities:-

Name of the company	Proportion of ownership as on	
	31/03/2008	31/03/2007
<b>Powerlinks Transmission Limited</b>	49%	49%
<b>Torrent Power Grid Limited</b>	26%	26%
<b>Jaypee Powergrid Limited</b>	26%	26%
<b>Parbati Koldam Transmission Company Ltd</b>	26%	*

\*JV Agreement signed in Financial Year 2007-08

In addition, the company has entered into an agreement for 50% stake in the joint venture company namely POWERGRID IL&FS transmission pvt. Ltd.

The company's share in assets and liabilities as on 31<sup>st</sup> March 2008 and income and expenses for the year in respect of above joint venture entities based on audited accounts except for POWERGRID IL&FS transmission pvt. Ltd, the transactions of which are negligible are given below:-

Rs. in crore

		31/03/2008	31/03/2007
A.	Assets		
	Long Term Assets	704.44	722.80
	Investments	33.56	56.39
	Current assets	76.20	15.21
	Profit and Loss A/C	0.33	0.00
	Misc Expenditure	0.65	0.09
	Total	815.18	794.49
B.	Liabilities		
	Equity	268.98	235.48
	Long Term Liabilities	511.04	517.18
	Current Liabilities and Provisions	35.16	41.83
	Total	815.18	794.49
C.	Contingent Liabilities	0.00	0.00
D.	Capital Commitments	91.35	0.76
		Current Year	Previous Year
E.	Income	125.09	67.84
F.	Expenses( Including provision for taxes)	120.38	64.13

- 35 In accordance with AS-28 "Impairment of Assets", impairment analysis of assets of transmission activity of the company by evaluation of its cash generating units, was carried out by an outside agency in the year 2004-05 and since recoverable amount was more than the carrying amount thereof, no impairment loss was recognised. Similarly, impairment analysis of telecom assets was carried out during 2006-07 and since the recoverable amount was more than the carrying amount of assets, no impairment loss was recognized. In the current year, there is no indication of impairment which requires re-estimating the recoverable amount of the assets.



- 36 Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs. 5495.63 crore (previous year Rs. 6677.30 crore).
- 37 No provision has been made for tax demands amounting to Rs. 259.03 crore ( previous year Rs. 209.37 crore ) and other demands (amount not ascertainable), for which appeals / litigation are pending, and the same have been shown as contingent liabilities under schedule no.18.
- 38 Disclosure in respect of contingent liabilities as required in AS 29 of 'Provisions, Contingent Liabilities and Contingent Assets':

**Contingent Liabilities:**

- a) Contingent Liabilities as stated in Schedule 18 are dependent upon the outcome of court/appellate authorities/ out of court settlement, the amount being called up, terms of contractual obligations, devolvement and raising of demand by concerned parties, disposal of appeals.
- b) Reimbursement of outflow in respect of '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 to be filed with CERC and in remaining cases no reimbursement is expected.
- 39 a) Based on the information available with the company, there are no suppliers/service providers who are registered as micro, small or medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as on 31<sup>st</sup> March, 2008.
- b) No payment is due for more than 30 days as at 31<sup>st</sup> March, 2008 in respect of purchases / services made from small scale/ancillary industries.

40 a) **VALUE OF IMPORTS CALCULATED ON CIF BASIS :**

Rs. in crore

	Current Year	Previous Year
i) Capital Goods	243.40	337.01
ii) Spare Parts	Nil	3.46

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

Rs. in crore

	Current Year	Previous Year
i) Professional and Consultancy fees	0.71	1.78
ii) Interest	326.96	309.68
iii) Others	10.69	13.98

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

Rs. in crore

	%	Current Year	%	Previous Year
i) Imported	25.07%	6.47	9.78%	1.57
ii) Indigenous (Including fuel)	74.93%	19.34	90.22%	14.49

d) **EARNINGS IN FOREIGN EXCHANGE :**

Rs. in crore

	Current Year	Previous Year
Interest	0.38	Nil
Consultancy Fee	2.28	0.45





41 **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 <sup>st</sup> March 2008

**ii) CAPITAL RAISED DURING THE YEAR**

**Rs in crore**

Public Issue (Including Share Premium of Rs. 1607.01 crore)	1989.63
Rights Issue	NIL
Private Placement, pursuant to a contract, for consideration other than cash (Issued to Govt. of India)	38.81
Bonus Issue	NIL

**iii) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS**

**Rs in crore**

Total Liabilities	43233.48
Total Assets	43233.48

<b>Sources of funds</b>	
Paid up Capital	4208.84
Reserves and Surplus	9298.53
Secured Loans	17552.13
Unsecured Loans	4711.35
Advance against Depreciation	1697.07
Grants in Aid	246.80
Deferred Tax Liability	493.78
<b>Application of Funds</b>	
Net Fixed Assets	27355.20
Capital Work-in-Progress (including Construction, Stores and Advances)	8758.09
Investments	1736.22
Net Current Assets	351.80
Miscellaneous Expenditure	7.19

**iv) PERFORMANCE OF COMPANY**

**Rs in crore**

Turnover/Income	4614.82
Other Income (including Transfer from Grants in Aid)	466.71
Total expenditure	3351.00
Profit before Tax	1730.53
Profit after MAT and Deferred tax	1448.47
Earning per share (Basic) (Rs.)	3.60
Dividend Amount	505.08



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

Item code no. : Not Applicable

Product Description : Transmission, Central Transmission Utility function.

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

**For and on behalf of the Board**

**(Divya Tandon)**  
Company Secretary

For A.R. & Co.  
Chartered Accountants

**(Anil Gaur)**  
Partner  
M.No. 017546

**(J. Sridharan)**  
Director (Finance)

For S R I Associates  
Chartered Accountants

**(R.N.Roy Choudhury)**  
Partner  
M.No. 007437

**(S.Majumdar)**  
Director(Projects) & CMD (Addl. Charge)

For Umamaheswara Rao & Co.  
Chartered Accountants

**(R.R.Dakshina Murthy)**  
Partner  
M. No. 211639

Place: Gurgoan  
Dated: 18<sup>th</sup> June, 2008



## 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, 2008, and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The Company is governed by the Electricity Act, 2003. 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. 19 of Schedule -28 to the financial statements in respect of the accounting of transmission charges.
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 knowledge and according to information and explanation given to us, the said financial statements, read together with the Notes on Accounts given in Schedule 28 and Accounting Policies annexed thereto, in so far as these are not inconsistent with the Electricity Act, 2003, give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - i) in the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2008.
    - ii) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
    - iii) in the case of Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For A.R.& Co.**  
Chartered Accountants

**(Anil Gaur)**  
Partner  
M.No. 017546

**For S R I Associates**  
Chartered Accountants

**(R.N.Roy Choudhury)**  
Partner  
M.No. 007437

**For Umamaheswara Rao & Co.**  
Chartered Accountants

**(R.R.Dakshina Murthy)**  
Partner  
M. No. 211639

Place : Gurgaon  
Dated : 18<sup>th</sup> June, 2008



## 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 inventories, followed by the Management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company has maintained proper records of inventory. The discrepancies noticed on physical verification of the inventory have been properly dealt with in the books of account except material lying with contractors where verification is not undertaken.
3. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. 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 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 31.3.2008 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. 0.04 crore and unclaimed dividend of Rs. 5.31 crore which has not exceeded the time limit prescribed under Section 205C of the Companies Act, 1956 are lying as liability towards Investor Education & Protection Fund.

- b) According to information and explanation given to us, following disputed 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	37.75	High Court of MP, Jabalpur
Sales Tax	0.36	Appellate Addl. Commissioner Commercial Tax, Jabalpur
Entry Tax	10.66	Chattisgarh Sthaniya Kshetra Me Mal Ke Pravesh par Kar Adhinyam, Dept. of Commercial Taxes, Chattisgarh
Education Cess	0.77	Dehgam Nagar Palika, Dehgam
Property Tax	0.06	Dehgam Nagar Palika, Dehgam
Sales Tax	20.07	J&K State Sales Tax Appellate Tribunal





Sales Tax	21.46	Dy. Commissioner of Sales Tax (Appeal), Jammu, J&K State
Sales Tax	7.18	Hon'ble High Court of Orissa Cuttak
Interest on custom/excise duty for Deemed Export benefit	57.34	Commissioner of Customs & Excise, Mumbai & Trivendrum
Entry tax	11.41	Joint Commissioner of Commercial Tax (Appeal), Patna
Service Tax	1.57	Commissioner of Central Excise, Patna
Interest on custom/ Excise duty	16.43	Commissioner of Customs & Central Excise, Peetampur & Mumbai
Income Tax & Interest	42.84	Income Tax Appellate Tribunal, New Delhi.
Income Tax (TDS) on perquisites	26.74	High Court, Kolkata
Service Tax	2.38	Additional Director General, Central Excise, Intelligence, New Delhi
Income Tax & Interest	26.52	Commissioner of Income Tax Appeals
Entry Tax	0.16	Commissioner, Appellate Tribunal, Allahabad

10. The Company does not have accumulated losses at the end of financial year and has not incurred any cash loss in the financial year under audit, and also in the immediately preceding financial year.
11. On the basis of audit procedures adopted by us and according to the records, the Company has not defaulted in repayment of dues to any financial institution or bank or bondholders.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund or nidhi/mutual benefit fund/society. Accordingly, Clause xiii of paragraph 4 of the Order is not applicable.
14. In our opinion, the Company is not dealing in or trading in shares, debentures, and other investments. Accordingly, Clause xiv of paragraph 4 of the Order is not applicable.
15. As informed to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. However, the shares held by the Company in Power Link Transmission Limited have been pledged in favour of financial institutions for financial assistance obtained by the said company, as per the terms and conditions of Joint Venture Agreement. In our opinion and to the best of our information and according to explanation given to us, the terms and conditions of share pledge agreement are not, prime facie prejudicial to the interest of the company.
16. In our opinion on an overall basis and according to the information and explanation given to us, the company has applied the term loans for the purpose, they were raised during the year.
17. In our opinion, on an overall basis, and according to the information and explanation given to us, the company has not used the funds raised on short term basis for long term investment.
18. The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Act during the year.
19. Securities or charge have been created against all the bonds issued by the company except XXV to XXVII Series of Bonds aggregating to Rs.2769 crore issued during the year for which securities or charge have not been created till the finalization of the financial statements.
20. We have verified the end use of money raised by public issue during the year as stated in the prospectus filed with SEBI, offer document and as disclosed in the notes to the financial statements.
21. 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 A.R.& Co.**  
Chartered Accountants

**(Anil Gaur)**  
Partner  
M.No. 017546

**For S R I Associates**  
Chartered Accountants

**(R.N.Roy Choudhury)**  
Partner  
M.No. 007437

**For Umamaheswara Rao & Co.**  
Chartered Accountants

**(R.R.Dakshina Murthy)**  
Partner  
M. No. 211639

Place : Gurgaon  
Dated : 18<sup>th</sup> June, 2008

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008

(Rupees in crore)

	For the year ended 31st March, 2008	For the year ended 31st March, 2007
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit before tax	1730.53	1482.00
<b>Adjustment for :</b>		
Depreciation (including prior period)	959.36	822.71
Transfer from Grants in Aid	-17.65	-21.57
Adjustment against General Reserve	-14.72	-32.67
Amortised Expenditure(DRE written off)	5.43	8.43
Provisions	-4.56	0.31
Self Insurance	-1.65	0.00
Interest paid on loans	1339.55	1140.42
Interest earned on bonds/Loans to State Govts.	-149.99	-173.24
Dividend received	-5.39	-1.20
<b>Operating profit before Working Capital Changes</b>	<b>3840.91</b>	<b>3225.19</b>
<b>Adjustment for :</b>		
Trade and other Receivables	-112.01	214.78
Inventories	-64.10	-3.89
Trade payables and other liabilities	-65.53	999.60
Other current assets	-248.14	8.41
Loans and Advances	-139.70	26.54
Deferred Revenue Expenditure	0.00	-0.32
	<b>-629.48</b>	<b>1245.12</b>
Direct taxes paid (including FBT)	-221.91	-124.54
<b>Net Cash from operating activities</b>	<b>2989.52</b>	<b>4345.77</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed assets	262.32	-109.98
Capital work in progress	-5997.93	-6445.63
Advances for capital expenditure	-77.22	-604.94
Investments in Bonds and others	241.13	196.00
Investments in Joint Ventures and Subsidiaries	-10.35	-23.59
Lease receivables	84.67	77.94
Interest earned on bonds/Loans to State Govts.	149.99	173.24
Dividend received	5.39	1.20
<b>Net cash used in investing activities</b>	<b>-5342.00</b>	<b>-6735.76</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Shares - Capital	382.62	202.78
Proceeds from issue of Shares - Premium	1607.01	0.00
Share issue expenses	-23.63	-0.24
Receipt of Grant	0.00	13.06
Loans raised during the year - Long Term	4118.71	5188.53
Loans repaid during the year - Long Term	-1180.73	-1089.16
Loans raised during the year - Short Term	750.00	750.00
Loans repaid during the year - Short Term	-750.00	-550.00
Interest paid	-1339.55	-1140.42
Dividend paid	-464.28	-330.45
Dividend Tax paid	-78.90	-46.34
<b>Net Cash from Financing Activities</b>	<b>3021.25</b>	<b>2997.76</b>
D. Net change in Cash and Cash equivalents(A+B+C)	668.77	607.77
E. Cash and Cash equivalents(Opening balance)	1196.82	589.05
F. Cash and Cash equivalents(Closing balance)	<b>1865.59</b>	<b>1196.82</b>

**Note:** Cash and cash equivalents consist of cash in hand and balance with banks and it includes Rs. 26.74 crore not available for use by the Company.

(Divya Tandon)  
Company Secretary

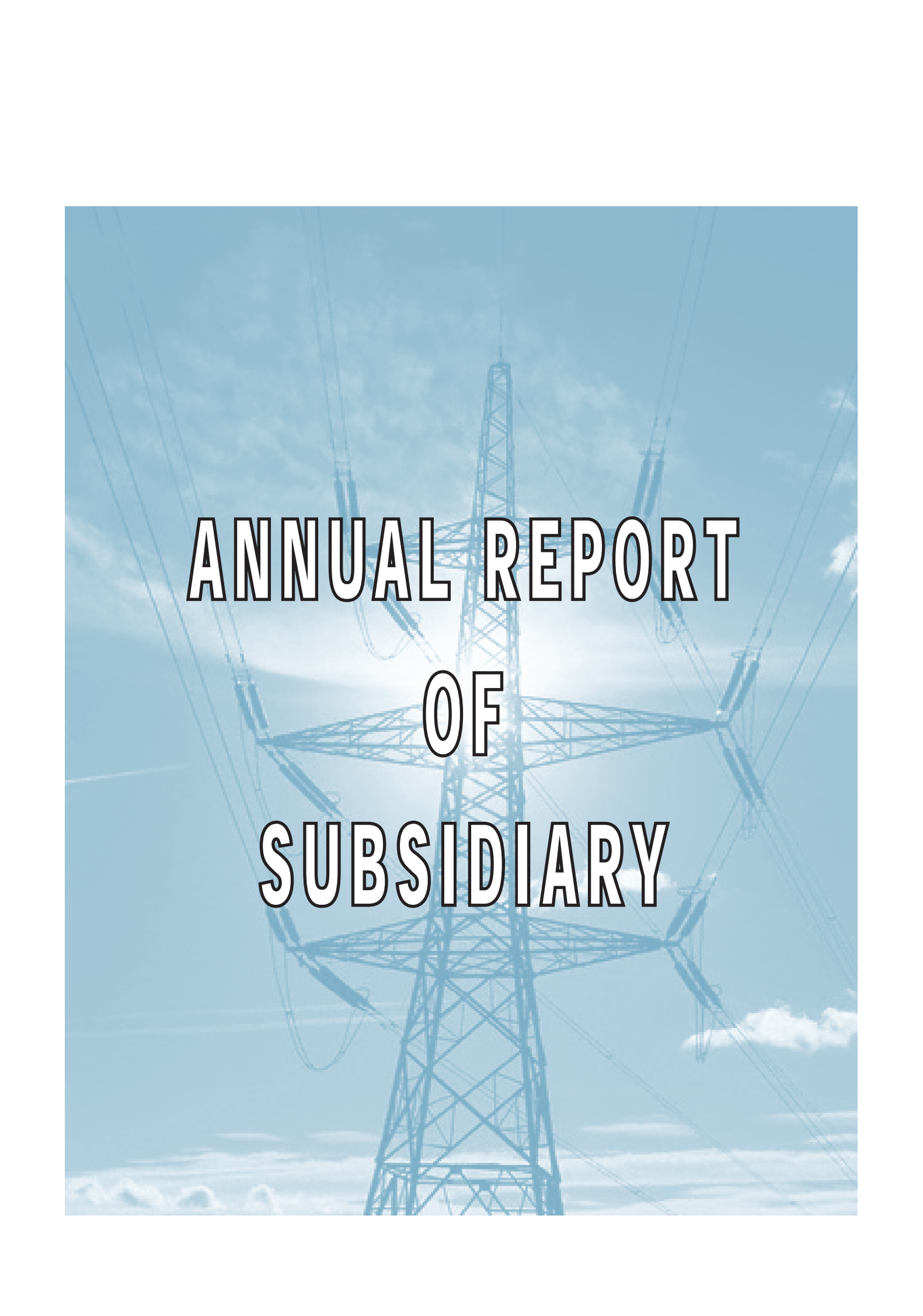
For and on behalf of the Board  
(J. Sridharan) Director (Finance)  
(S.Majumdar) Director(Projects) & CMD (Addl. Charge)

As per our report of even date  
**For A.R. & Co.**  
Chartered Accountants  
(Anil Gaur)  
Partner  
M.No. 017546

**For S R I Associates**  
Chartered Accountants  
(R.N.Roy Choudhury)  
Partner  
M.No. 007437

**For Umamaheswara Rao & Co.**  
Chartered Accountants  
(R.R.Dakshina Murthy)  
Partner  
M. No. 211639

Place: Gurgoan  
Dated: 18<sup>th</sup> June, 2008



# ANNUAL REPORT OF SUBSIDIARY



**BYRNIHAT TRANSMISSION COMPANY LIMITED**  
(Regd. Off: B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi)

**DIRECTORS' REPORT**

**To,**

**The Members,**

I, on behalf of the Board of Directors, present the Second Directors' Report of BYRNIHAT TRANSMISSION COMPANY LIMITED together with the audited Statement of Accounts for the financial year 2007-08.

Your Company had been incorporated on 23<sup>rd</sup> March, 2006 as a Project specific 'SHELL COMPANY' to take up the implementation of Misa – Byrnihat Transmission Project 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.

The Company has not applied for the Certificate of Commencement of Business.

**DIRECTORS**

During the year few changes took place in the Board of the Company. Consequent upon having demitted the office of CMD, POWERGRID, Dr. R.P.Singh, resigned from the Directorship of Byrnihat Transmission Company Limited w.e.f. 30.05.2008. Shri S.K. Soonee was appointed as an additional Director on the Board of Byrnihat Transmission Company Ltd. w.e.f. 17.07.2008.

At present, Shri J.Sridharan, Shri I.S. Jha and Shri S.K. Soonee are on the Board of the Company.

**AUDITORS**

Naresh K. Gupta & Co., Chartered Accountants, New Delhi, were appointed by C&AG as Statutory Auditors of the Company for the year 2007-2008.

**AUDITORS' REPORT**

The Statutory Auditors' Report to the shareholders does not contain any qualifications. Further, the Comptroller & 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(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, 2008 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, 2008 on a going concern basis.





## PARTICULARS OF EMPLOYEES

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

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO

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

## ACKNOWLEDGEMENT

The Board extends its sincere thanks to POWERGRID.

For and on behalf of  
**BYRNIHAT TRANSMISSION COMPANY LIMITED**

Date : 14.08.2008

Place: New Delhi

Sd/-  
**(J. Sridharan)**  
Director

## 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 YEAR ENDED 31 MARCH, 2008.

The preparation of financial statements of Byrnihat Transmission Company Limited, New Delhi for the year ended 31 March, 2008 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, is 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 5th August, 2008.

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 year ended 31 March, 2008 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**

Sd/-  
**(Ghazala Meenai)**  
Principal Director of Commercial Audit  
& Ex-officio-Member, Audit Board-III  
New Delhi

Date : 13th August, 2008

Place: New Delhi

**BYRNIHAT TRANSMISSION COMPANY LIMITED**  
**BALANCE SHEET AS AT 31st MARCH, 2008**

		(Amount in Rs.)	
	<b>Schedule Reference</b>	<b>As at 31st March, 2008</b>	<b>As at 31st March, 2007</b>
<b>SOURCES OF FUNDS</b>			
<b>1. Shareholders' Funds</b>			
Share Capital	1	500,000	500,000
<b>TOTAL</b>		<u>500,000</u>	<u>500,000</u>
<b>APPLICATION OF FUNDS</b>			
<b>2. Current Assets, Loans and Advances</b>			
<b>Current Assets</b>			
Cash & Bank Balances	2	498,575	499,200
<b>3. Less : Current Liabilities &amp; Provisions</b>			
Current Liabilities	3	<u>68,781</u>	<u>53,709</u>
<b>4. Net Current Assets</b>		429,794	445,491
<b>5. Miscellaneous Expenditure</b>	4	70,206	54,509
(To the extent not written off or adjusted)			
<b>TOTAL</b>		<u>500,000</u>	<u>500,000</u>
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 **NARESH K. GUPTA & CO.**  
Chartered Accountants

For and on behalf of Board of Directors

(Nitin Gupta)  
Partner  
Membership No. 96295

(J.Sridharan)  
Director

(I. S. Jha)  
Director

Place : New Delhi

Date : 5th August, 2008

## BYRNIHAT TRANSMISSION COMPANY LIMITED

## Schedules - Forming part of Accounts

(Amount in Rs.)

	As at 31st March, 2008	As at 31st March, 2007
<b>SCHEDULE '1'</b>		
<b>SHARE CAPITAL</b>		
<u>Authorised</u>		
50,000 equity shares of Rs. 10/- each	<u>500,000</u>	<u>500,000</u>
<u>Issued, Subscribed &amp; Paid-up</u>		
50,000 equity shares of Rs. 10/- each fully paid up.	<u>500,000</u>	<u>500,000</u>

(Amount in Rs.)

	As at 31st March, 2008	As at 31st March, 2007
<b>SCHEDULE '2'</b>		
<b>Cash &amp; Bank Balances</b>		
Balance with Scheduled Bank-		
in Current Account	<u>498,575</u>	<u>499,200</u>
	<u>498,575</u>	<u>499,200</u>

(Amount in Rs.)

	As at 31st March, 2008	As at 31st March, 2007
<b>SCHEDULE '3'</b>		
<b>Current Liabilities</b>		
a. Power Grid Corp. of India Ltd.	55,209	41,973
b. Statutory Audit Fees	11,236	11,236
c. Other Liabilities	<u>2,336</u>	<u>500</u>
	<u>68,781</u>	<u>53,709</u>
	<u>68,781</u>	<u>53,709</u>

(Amount in Rs.)

	As at 31st March, 2008	As at 31st March, 2007
<b>SCHEDULE '4'</b>		
<b>MISCELLANEOUS EXPENDITURE</b>		
(to the extent not written off or adjusted)		
<b>a. Preliminary Expenses</b>	33,555	33,555
<b>b. Pre-operative Exp.</b>		
Balance as at Beginning of the Year	20,954	
Allocation during the year	15,697	
	<u>36,651</u>	<u>20,954</u>
	<u>70,206</u>	<u>54,509</u>

## 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

- The company was incorporated on 23<sup>rd</sup> 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.
- 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.
- 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.
- The breakup of the amount shown under Miscellaneous Expenditure is given below :

Particulars	As at 31 <sup>st</sup> March,08	As at 31 <sup>st</sup> March,07
<b>Preliminary Expenses incurred for incorporation of the Company</b>	33555	33555
<b>Pre Operative Expenses</b>		
Balance as at Beginning of the year	20954	
Bank Charges	625	800
Remuneration to Auditors		
Audit Fee	11236	11236
In Other Capacity		8418
Out of Pocket Exp.	2000	
Provision for Stamp Duty		500
ROC filing Fees	1836	
<b>Total</b>	<b>70206</b>	<b>54509</b>

- There are no contingent liabilities.
- All figures have been rounded off to the nearest rupee.
- Previous year figures have been re-grouped / re-arranged where ever necessary.

As per our report of even date

For **NARESH K. GUPTA & CO.**  
Chartered Accountants

(Nitin Gupta)  
Partner  
Membership No. 96295

For and on behalf of Board of Directors

(J.Sridharan)  
Director

(I. S. Jha)  
Director

Place : New Delhi

Date : 5th August, 2008



## 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  
DATE3  
MONTH08  
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	569	Total Assets	569
<b>Sources of Funds</b>			
Paid-up Capital	500	Reserves & Surplus	NIL
Secured Loans	NIL	Unsecured Loans	NIL
<b>Application of Funds</b>			
Net Fixed Assets	NIL	Investment	NIL
Net Current Assets	430	Misc. Expenditure	70
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 report of even date

For **NARESH K. GUPTA & CO.**  
Chartered Accountants

For and on behalf of Board of Directors

(Nitin Gupta)  
Partner

Membership No. 96295

(J.Sridharan)  
Director

(I. S. Jha)  
Director

Place : New Delhi

Date : 5th August, 2008



## AUDITOR'S REPORT

To the Members of

### BYRNIHAT TRANSMISSION COMPANY LIMITED

1. We have audited the attached Balance Sheet of M/S. BYRNIHAT TRANSMISSION COMPANY LIMITED as at 31st March 2008. 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 management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order 2003 read with Companies (Auditor's Report) (amendment) order, 2004, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in para 4 and 5 of the said order.
4. Further to above :
  - 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 it appears from our examination of those books.
  - C. The Balance Sheet, dealt with by this report, are in agreement with the books of account.
  - D. In our opinion, the Balance Sheet, dealt with by this report comply with the mandatory accounting standards referred to in sub section 3(c) of section of 211 of the Companies Act, 1956.
  - E. Being a Government company, pursuant to the notification no. GSR 829(E) issued by Government of India, provisions of clause (g) of sub section (1) of section 274 of the Companies Act, 1956 are not applicable to the company.
  - F. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and Notes thereon 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 so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008

For **NARESH K. GUPTA & CO.**

*Chartered Accountants*

**(NITIN GUPTA)**

PARTNER

*Membership No. 96295*

Dated : 05.08.2008

Place : New Delhi



## BYRNIHAT TRANSMISSION COMPANY LIMITED

## ANNEXURE TO THE AUDITOR'S REPORT

**Annexure referred to in Auditor's report of even date on the accounts of Byrnihat Transmission Company Limited for the year ended 31<sup>st</sup> March, 2008**

1. The company does not own any Fixed Assets and hence 4(i)(a), 4(i)(b), 4(i)(c) of Companies (Auditor Report) (amendment) Order, 2004 are not applicable to the Company.
2. The company does not have inventory and hence 4(ii)(a), 4(ii)(b), 4(ii)(c) of Companies (Auditor Report) (amendment) Order, 2004 are not applicable to the Company.
3.
  - a. The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - b. In view of clause III (a) above, clauses 4(iii)(b), 4(iii)(c), 4(iii)(d) of Companies (Auditor Report) (amendment) Order, 2004 are not applicable to the Company.
  - c. The company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
  - d. In view of clause III (c) above, clauses 4(iii)(f), 4(iii)(g) of Companies (Auditor Report) (amendment) Order, 2004 are not applicable to the Company.
4. Since there are no Fixed Assets and Inventory the clause 4(iv) of Companies (Auditor Report)(amendment) Order, 2004 is not applicable to the Company.
5.
  - a. According to the information & explanation given to us , during the year under Audit , there have been no particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956, which needs to be entered in the register required to be maintained under that section.
  - b. In view of the clause v(a) above the clause 4(v)(b) of Companies (Auditor Report)(amendment) Order, 2004 is not applicable to the Company.
6. The Company has not accepted any deposits from the public and in view of this, clause 4(vi) of Companies (Auditor Report)(amendment) Order, 2004 is not applicable to the Company.
7. According to the information & explanation given to us the company did not have an internal audit system in place for the financial year 2007-08.
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 undisputed statutory dues including Income tax, sales tax, wealth tax, service tax, excise duty, customs duty, cess and any other statutory dues wherever applicable have been regularly deposited by the company with appropriate authorities.
  - b. According to the information & explanation given to us there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have been deposited on account of any dispute.
10. The Company has been registered for a period of less than 5 years up to the last day of financial year 2004-05. In view of this, clause 4(x) of Companies (Auditor Report) (amendment) Order, 2004 is not applicable to the Company.
11. Since, the company does not have any borrowings clause 4(xi) of Companies (Auditor Report) (amendment) Order, 2004 is not applicable to the Company.



12. According to the information and explanations given to us the company has not granted loans & advances on the basis of security by way of pledge of shares, debentures & other securities.
13. In our opinion, the company is not a Chit Fund or a *nidhi*/mutual benefit fund/society. Therefore the Provisions of clause 4(xiii) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore the Provisions of clause 4(xiv) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
15. According to the information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions
16. Since the Company has taken no loans clause 4(xvi) of Companies (Auditor Report) (amendment) Order, 2004 is not applicable to the Company.
17. Since the company has not raised any funds during the year clause 4(xvii) of Companies (Auditor Report) (amendment) Order, 2004 is not applicable to the Company.
18. According to the information and explanations given to us the Company has not made any preferential allotment to parties or companies covered in the register maintained under section 301 of the Act during financial year 2007-08.
19. According to the information and explanations given to us the Company has not issued any debentures during financial year 2007-08 and therefore the Provisions of clause 4(xix) of Companies (Auditor's Report) (Amendment) Order, 2004 are not applicable to the Company.
20. According to the information and explanations given to us the company has not raised any money by way of Public Issue during financial year 2007-08.
21. According to the information and explanations given to us no fraud on or by the Company causing a material misstatement in the Financial Statements , has been noticed or reported during the financial year 2007-08.

For **NARESH K. GUPTA & CO.**

*Chartered Accountants*

**(NITIN GUPTA)**

PARTNER

*Membership No. 96295*

Dated : 05.08.2008

Place : New Delhi





## This image shows a full page of blank, lined paper. It features approximately 30 horizontal blue or grey lines spaced evenly apart, typical of notebook paper. The lines extend across the entire width of the page, leaving small margins at the top and bottom. There are no vertical lines, text, or other markings present.



## NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

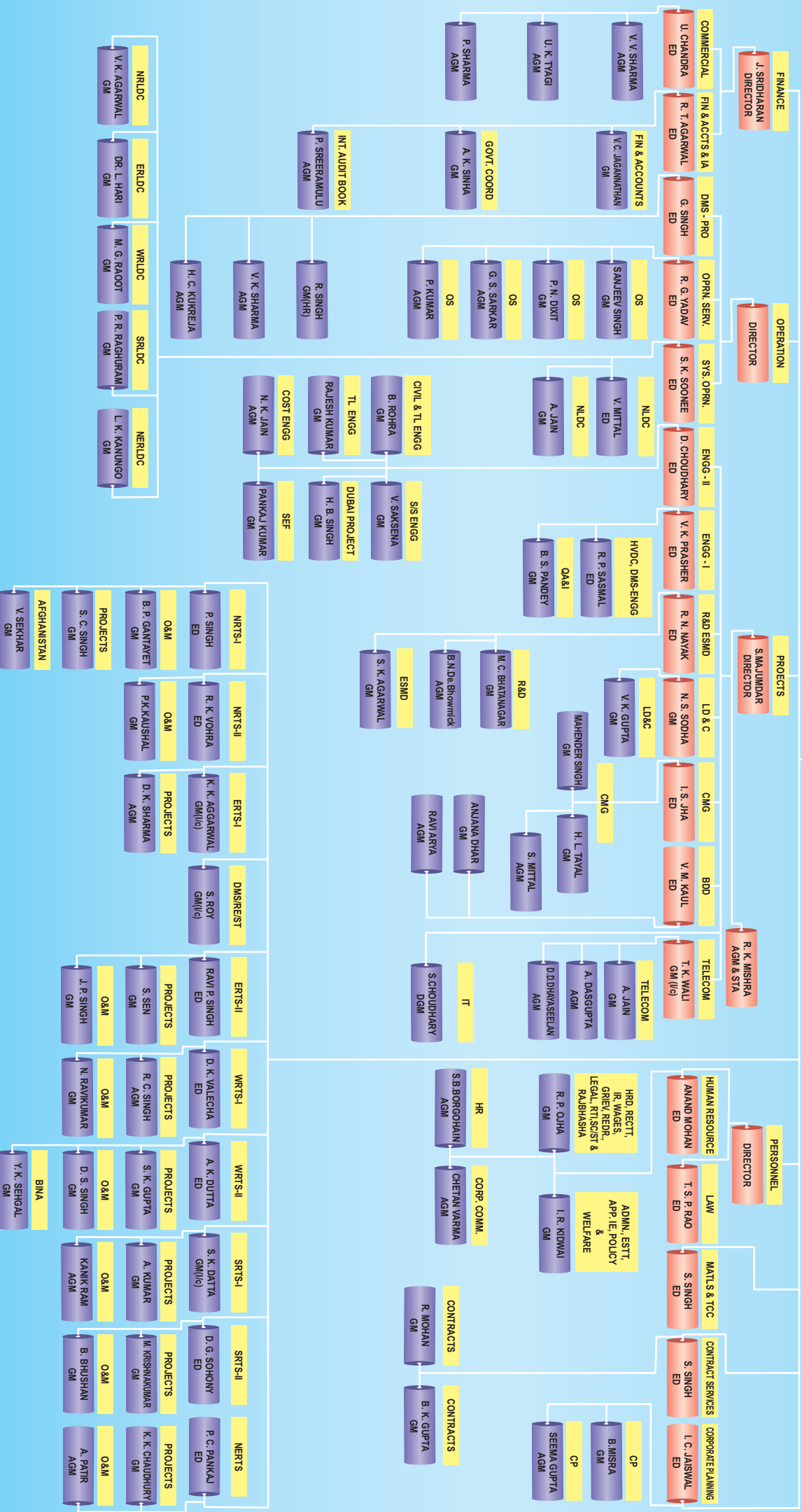
# ORGANISATION CHART

Annual Report 2007-08



**S. K. CHATURVEDI**  
C.M.D.

As on 27.08.2008





पावरग्रिड

**POWER GRID CORPORATION OF INDIA LIMITED**

(A Government of India Enterprise)

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