

Annual Report 2011-12



Discovering
new skies

www.powergridindia.com

Vision

“World Class, Integrated, Global Transmission Company With Dominant Leadership in Emerging Power Markets Ensuring Reliability, Safety and Economy”

Values

- Zeal to excel and zest for change
- Integrity and fairness in all matters
- Respect for dignity and potential of individuals
- Strict adherence to commitments
- Ensure speed of response
- Foster learning, creativity and team-work
- Loyalty and pride in POWERGRID

Mission

“We will become a Global Transmission Company with Dominant Leadership in Emerging Power Markets with World Class Capabilities by:

- World Class: Setting superior standards in capital project management and operations for the industry and ourselves
- Global: Leveraging capabilities to consistently generate maximum value for all stakeholders in India and in emerging and growing economies
- Inspiring, nurturing and empowering the next generation of professionals
- Achieving continuous improvements through innovation and state of the art technology
- Committing to highest standards in health, safety, security and environment”

Objectives

The Corporation has set following objectives in line with its Mission and its status as “Central Transmission Utility” to:

- Undertake transmission of electric power 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 Power Committees;
 - vi. Authority;
 - vii. Licensees;
 - viii. Any other person notified by the Central Government in this behalf.
- To ensure development of an efficient, co-ordinated and economical system of inter-State transmission lines for smooth flow of electricity from generating stations to the load centres.
- Efficient Operation and Maintenance of Transmission systems.
- Restoring power in quickest possible time in the event of any natural disasters like super cyclone, flood etc. through deployment of Emergency Restoration Systems.
- Provide consultancy services at national and international level in transmission sector based on the in-house expertise developed by the organisation.
- Participate in long distance telecommunication business ventures.
- Ensure principles of Reliability, Security and Economy matched with the rising/desirable expectation of a cleaner, safer, healthier Environment of people, both affected and benefited by its activities.

Powertel

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

- Established Broadband Telecom Network of about 25,000 kms connecting over 206 cities and towns 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.
- 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.
- One of the executing agency for major prestigious projects of Govt. of India, like- National Knowledge Network(NKN), National Optical Fibre Network(NOFN) etc.
- 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)



POWER GRID CORPORATION OF INDIA LIMITED

(A Government of India Enterprise)

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.

NOTICE

NOTICE is hereby given that the Twenty Third Annual General Meeting of the Members of Power Grid Corporation of India Limited will be held on **Wednesday, the 19th September, 2012 at 11.00 a.m. at "Air Force Auditorium, Subroto Park, New Delhi - 110 010"** to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2012 and Profit and Loss Account for the financial year ended on that date together with Report of the Board of Directors and Auditors thereon.
2. To note the payment of interim dividend and declare final dividend for the Financial Year 2011-12.
3. To appoint a Director in place of Shri I. S. Jha, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri R. T. Agarwal, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Smt. Rita Acharya, who retires by rotation and being eligible, offers herself for re-appointment.
6. To fix the remuneration of the Statutory Auditors for the Financial Year 2012-13.

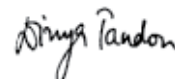
SPECIAL BUSINESS

7. To consider and if thought fit, to pass with or without modification(s), the following resolutions as ORDINARY RESOLUTION:
 - (i) "Resolved that in supersession of Resolution passed on 17th May, 2010 for enhancing the Borrowing Powers to ₹ 80,000 crore, approval of which was obtained by the Shareholders of the Company through Postal Ballot, the consent of the Company be and is hereby accorded to the Board of Directors under section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 and the Articles of Association of the Company for borrowing, whether by way of Term Loan/Equipment Finance/Cash Credit facilities or the like from time to time any sum or sums of money at its discretion from National/International Financial Institutions/Banks or from Public/Bodies Corporate or from Government Body/Corporation or Govt. of India or by way of issue of Bonds from Domestic/International sources on such terms and conditions and with or without security as the Board of Directors may think fit, which together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the bankers of the Company in the ordinary course of business) **shall not exceed in the aggregate at any time ₹ 1,00,000 Crore (Rupees One Lac Crore Only)** irrespective of the fact that such aggregate amount of borrowings outstanding at anyone time may exceed the aggregate for the time being of the paid-up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose".
 - (ii) "Further resolved that pursuant to the provisions of section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company to mortgage and/or create charge on all or anyone or more of the movable/immovable properties or such other assets of the Company, wheresoever situated, both present and future, on such terms and conditions and at such time or times and in such form or manner as it may deem fit, to or in favour of National/International Financial Institutions/Banks/ Trustees for the Bondholders (in case of issue of Bonds) etc. hereinafter referred as "the lenders" to secure any Term Loans/Cash Credit Facilities/ Debentures/Bonds or the like, obtained/to be obtained from any of the aforesaid lenders together with interest thereon at the respective agreed rate(s), compound interest, additional interest, liquidated

damage(s), commitment charge(s), premia on prepayment or on redemption, cost, charge(s), expenses and all other monies payable by the Company to such lenders under the respective loan/other agreement(s) entered/to be entered into between the Company and the lender(s) in respect of the said borrowing(s), such security to rank in such manner as may be agreed to between the Company with concerned lenders and as may be thought expedient by the Board."

- (iii) "Further resolved that the Board of Directors be and is hereby authorised and it shall always be deemed to have been so authorised to finalise and execute with the Lenders/Trustees for the holders of the Bonds the requisite agreement, documents, deeds and writings for borrowing and/or for creating the aforesaid mortgage(s) and/or charge(s) and to do all such other acts, deeds and things as may be necessary to give effect to the above resolutions".

By order of the Board of Directors



(Divya Tandon)

Company Secretary

Regd. Office:

B-9, Qutab Institutional Area,

Katwaria Sarai, New Delhi.

Pin:-110 016.

Date: 09.08.2012

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

Proxies, in order to be effective must be lodged with the Company not less than 48 hours before the commencement of the Annual General Meeting, i.e., latest by **11.00 a.m. on Monday, the 17th September, 2012**. Blank proxy form is enclosed.

2. As required by clause 49 of the Listing Agreement entered into with the Stock Exchanges the relevant details of Shri I. S. Jha, Shri R. T. Agarwal and Smt. Rita Acharya, Directors retiring by rotation and seeking re-appointment under Item No. 3, 4 and 5 aforesaid respectively in accordance with applicable provisions of the Articles of Association of the Company and the details of those directors who have been appointed since the last Annual General Meeting, are annexed.
3. None of the Directors of the Company is any way related with each other.
4. Members are requested to:-
- (i) Note that copies of Annual Report will not be distributed at the Annual General Meeting.
 - (ii) Bring their copy of Annual Report, Notice and Attendance Slip duly completed and signed at the meeting.
 - (iii) Deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Hall will be strictly on the basis of the entry slip available at the counter at the venue to be exchanged with the attendance slip. Photocopies of Attendance Slip will not be entertained for issuing entry slip for attending Annual General Meeting.
 - (iv) Quote their Folio/Client ID & DP ID Nos. in all correspondence.
 - (v) Note that due to strict security reasons mobile phones, brief cases, eatables and other belongings are not allowed inside the Auditorium.
 - (vi) Note that no gifts/coupons will be distributed at the Annual General Meeting.
5. Corporate Members are requested to send a duly certified copy of the Board Resolution/Power of Attorney authorizing their representative to attend and vote on their behalf at the Annual General Meeting. Alternatively, such an authority duly certified should be brought by the representative attending on behalf of the corporate body, at the meeting.
6. The Register of Members and Share Transfer Books of the Company will remain closed from 7th September, 2012 to 19th September, 2012 (both days inclusive). The final dividend on equity shares, as recommended by the Board of Directors,

subject to the provisions of Section 206A of the Companies Act, 1956, if declared at the Annual General Meeting, will be paid on 8th October, 2012.

7. The Board of Directors in its meeting held on 8th February, 2012 had declared an interim dividend @ 8% on the paid-up equity share capital of the Company (i.e. ₹ 0.80 per share) which was paid on 23rd February, 2012. Members who have not received or not encashed their dividend warrant may approach Karvy Computershare Private Limited, Registrar and Transfer Agent of the Company, for revalidating the warrant or for obtaining duplicate warrant. The Board had further recommended a Final Dividend @ 13.1% on the paid-up equity share capital of the Company (i.e. ₹ 1.31 per share) at its meeting held on 29th May, 2012. The dividend, if declared at the Annual General Meeting will be paid on 8th October, 2012 to those Members, whose names appear on the Register of Members of the Company as on 19th September, 2012 in respect of physical shares. However, in respect of shares held in dematerialised form, the dividend will be payable to those persons whose names appear as beneficial owners as at the closure of the business hours on 6th September, 2012 as per details to be furnished by the depositories.
8. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amounts which remain unpaid/unclaimed for a period of seven years, are required to be transferred to the Investors Education & Protection Fund of the Central Government. After such transfer, there remains no claim of the members whatever on the said amount. Members are advised to encash their Dividend warrants immediately on receipt.
9. Members are advised to submit their Electronic Clearing System (ECS) mandates to enable the Company to make remittance by means of ECS. Those holding shares in Electronic Form may send the ECS Mandate in the enclosed Form directly to their Depository Participant (DP). Those holding shares in physical form may send the ECS Mandate Form to Karvy Computershare Private Limited, the Registrar & Transfer Agent of the Company. Those who have already furnished the ECS Mandate Form to the Company/Depository Participant/Registrar & Transfer Agent with complete details need not send it again.
The shareholders who do not wish to opt for ECS facility may please mail their bankers' name, branch address and account number to Karvy Computershare Private Limited, Registrar & Share Transfer Agent of the Company to enable them to print these details on the dividend warrants.
10. Members holding shares in multiple folios in physical mode are requested to apply for consolidation of shares to the Company or its Registrar & Transfer Agent along with relevant Share Certificates.
11. Pursuant to Section 619(2) of the Companies Act, 1956 the auditors of the Government Company are appointed or reappointed by the Comptroller & Auditor General of India (C&AG) and in terms of Section 224(8)(aa) the remuneration has to be fixed by the Company in the Annual General Meeting or in such manner as the company in General Meeting may determine. Approval of the Members of the Company is required to authorize the Board of Directors of the Company to approve the remuneration of the Statutory Auditors/Joint Statutory Auditors of the Company appointed by C&AG, for the Financial Year 2012-13, as the Board may deem fit.
12. All the documents referred to in the accompanying notice are open for inspection at the Registered Office of the Company on all working days (excluding Saturday and Sunday), between 11.00 AM to 1.00 PM up to Tuesday, the 18th September, 2012.
13. Members holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to submit to the Registrar & Transfer Agents of the Company the prescribed Form (Form 2B in duplicate) of the Companies (Central Government's) General Rules and Forms, 1956. In case of shares held in dematerialized form, the nomination has to be lodged with the respective Depository Participant.
14. Annual Listing fee for the year 2012-13 has been paid to the Stock Exchanges wherein shares of the Company are listed.
15. Members are requested to send all correspondence concerning registration of transfers, transmissions, subdivision, consolidation of shares or any other shares related matter and bank account to Company's Registrars.
16. Members are requested to notify immediately any change of address:
 - (i) to their Depository Participants (DP) in respect of shares held in dematerialized form, and
 - (ii) to the Company at its Registered Office or its Registrar & Transfer Agent, Karvy Computershare Private Limited in respect of their physical shares, if any, quoting their folio number.
17. Members desirous of getting any information on any items of business of this meeting are requested to address their queries to the Company Secretary at least ten days prior to the date of the meeting, so that the information required can be made readily available at the meeting.

18. Important Communication to Members:- (Green Initiative)

The Ministry of Corporate Affairs (MCA) under “Green Initiative in the Corporate Governance” allowed paperless compliances by the companies. MCA had issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. Members who have not registered their e-mail addresses, so far, are requested to register their e-mail addresses, in respect of electronic holdings with the Depository through their concerned Depository Participants. Members who hold shares in physical form are requested to fill the Form and hand over the same along with Attendance Form at the Registration Counter of venue of Annual General Meeting for registration of Email address for receiving notice/documents including Annual Report.

Annexure to Notice

EXPLANATORY STATEMENT

Item No. 7

An outlay of about ₹ 1,00,000 Crore has been planned by POWERGRID during XII Plan for further development of transmission systems. The Company has a capex programme of about ₹ 20,000 Crore each year during the XII Plan. The existing limit of borrowing powers of the Board of Directors is ₹ 80,000 crore. The total amount of loans drawn and tied up to be drawn are nearing the existing borrowing limit of ₹ 80,000 crore. The debt requirement during FY 2012-13 and 2013-14, broadly are as under:

(₹ in Crore)

| Sl. No. | Particulars | Amount | Amount |
|---------|--|-----------|-----------|
| 1.a) | Domestic Loan | | |
| | As on 30.06.2012 as per Balance Sheet | | 40,610.22 |
| b) | Domestic Loan projected to be drawn during Financial Year: | | |
| | 2012-13 | 7,702.50 | |
| | 2013-14 | 7,679.00 | 15,381.50 |
| 2. a) | Foreign Loan* | | |
| | As on 30.06.2012 as per Balance Sheet | 17,377.24 | |
| | Loans tied up and Un-Drawn as on 30.06.2012 | 16,095.43 | |
| b) | Loan projected to be drawn during Financial Year | | 33,472.67 |
| | 2012-13 (ECB of ₹ 2,850 Cr. under consideration, if materializes domestic loan projection will be scaled down) | | |
| | 2013-14** | 2,850.00 | 2,850.00 |
| 3. | Domestic Loan tied up for FY 2014-15 & 2015-16 | | 2,000.00 |
| | Total | | 94,314.39 |

* Ex. rate as on 29.06.2012 is 1 US\$ = ₹ 57.07 (SBI B/S Rate)

** As per project requirements depending upon the market condition and competitive interest rate.

Further, keeping in view the part funding requirement of loan for 2014-15, other business needs, net of repayments, it is proposed to enhance the borrowing power of Board of Directors up to ₹ 1,00,000 Crore.

In pursuance of Section 293 (1) (a) and 293 (1) (d) of the Companies Act, 1956, approval of shareholders is required for borrowing in excess of the paid up capital and free reserves and for creation of security for the borrowings. The equity share capital of the Company as on 31.03.2012 is ₹ 4,629.73 crore and General Reserves are ₹ 18,858.05 crore. The Shareholders are, therefore, requested to approve the proposed resolutions for raising of borrowing limit from ₹ 80,000 crore to ₹ 1,00,000 crore.

None of the Directors is concerned or interested in the resolution except to the extent that he/she is a Director of the Company.

BRIEF RESUME OF THE DIRECTORS SEEKING RE-ELECTION AND ALSO OF DIRECTORS APPOINTED SINCE LAST ANNUAL GENERAL MEETING

Directors seeking re-election at the 23rd AGM:

| Name | Shri I. S. Jha | Shri R. T. Agarwal | Smt. Rita Acharya |
|--|--|--|---|
| Date of Birth and Age | 30.06.1959 / 53 years | 12.08.1956 / 56 years | 13.12.1954 / 58 years |
| Date of Appointment | 1 st September, 2009 | 29 th July, 2011 | 26 th August, 2011 |
| Qualification | B.Sc (Engg) in Electrical | B.Com., Chartered Accountant | Master Degree in Social Work |
| Expertise in specific functional area | Shri I.S.Jha, aged 53 years, is Director (Projects) of our Company. He is an Electrical Engineer from NIT, Jamshedpur and a well known Electrical Power System Professional. Prior to his assignment he has successfully served as Executive Director (Engineering) in the Company. He has also worked as Executive Director - Corporate Monitoring Group and held the position of Executive Director of North Eastern Region. Apart from these functions he was a lead Member in Planning, Engineering and Execution of APDRP and RGGVY schemes in POWERGRID. He has published numerous articles, technical papers in the field of power system in various international and National Conferences/Symposia. He was appointed as a Director on our Board in September, 2009. | Shri R. T. Agarwal, aged 56 years, is Director (Finance) of our Company. Prior to taking up this assignment, he was working as Executive Director (Finance). A Chartered Accountant by profession, Shri Agarwal has more than 31 years of experience in multifarious Finance & Accounts functions like finalization of Accounts, coordination with Auditors, Taxation, Treasury Functions, Internal Audit, Budgeting, Pay Roll, Concurrence, MIS & Commercial aspects etc. both at the Corporate Centre and at Regional Headquarters of POWERGRID. As ED (Finance), he had played a pivotal role in the successful Follow-on Public Offer of POWERGRID in 2010. Before joining POWERGRID in 1991, he had worked in power major NTPC Ltd. project sites for around 10 years. He was appointed as a Director on our Board in July, 2011. | Smt. Rita Acharya, aged 58 years, is a Government nominee Director of our Company. She holds Masters Degree in Social Work from Madras University and Diploma in Development Administration from International Cooperation University, Italy, Rome. She is an officer of Central Secretariat Service. She is currently Joint Secretary (Transmission) in the Ministry of Power. Before joining Ministry of Power, she has worked in the Ministry of Finance (Department of Economic Affairs) and Ministry of Home Affairs and handled various important portfolios like matters relating to foreign exchange budget, balance of payments, bilateral/multilateral assistance, water supply & forestry projects assisted by World Bank, Centre-State relations, prison reforms & treaties relating to repatriation of prisoners and energy conservation and transmission. She was appointed as a Director on our Board in August, 2011. |
| Directorship held in other Companies (Part-time) | 1. Power System Operation Corporation Limited 2. Powerlinks Transmission Limited 3. M. P. Power Transmission Company Limited 4. Nagapattinam-Madhugiri Transmission Company Limited 5. Vemagiri Transmission System Limited | 1. Powerlinks Transmission Limited 2. Power System Operation Corporation Limited 3. Parbati Koldam Transmission Company Limited 4. Nagapattinam-Madhugiri Transmission Company Limited 5. Vemagiri Transmission System Limited | NIL |
| Membership / Chairmanship of Committees in other Companies | Audit Committee – 1. Power System Operation Corporation Limited 2. M. P. Power Transmission Company Limited | Audit Committee – 1. Parbati Koldam Transmission Company Limited. 2. Powerlinks Transmission Limited. 3. Power System Operation Corporation Limited | NIL |
| No. of Shares held | 2998 | 4056 | NIL |

Directors appointed since last Annual General Meeting held on 19th September, 2011

| Name | Shri Ravi P. Singh | Shri R. P. Sasmal | Shri Santosh Saraf | Smt. Rita Sinha |
|---------------------------------------|---|---|---|--|
| Date of Birth and Age | 21.01.1960 /52 Years | 28.02.1958 /54 Years | 01.09.1951 /60 Years | 30.07.1950 /62 Years |
| Date of Appointment | 01.04.2012 | 01.08.2012 | 27.12.2011 | 27.12.2011 |
| Qualification | B.E. (Mechanical Engineering), Post Graduate Diploma in HR. | B.Sc. Engineering (Electronics & Tele-Communication). | B.COM, FCA | M.A. (Geography) |
| Expertise in specific functional area | Shri Ravi P. Singh, 52 years, is Director (Personnel) of our Company. He did his Mechanical Engineering from NIT, Allahabad in First Class with Honors and Post Graduate Diploma in HR from AIMA, New Delhi. He has previously held the positions of Executive Director (Eastern Region-II) and Executive Director (Human Resource Management & Corporate Communication) in POWERGRID. Shri Singh has over 30 years of work experience in the power sector handling various multi-disciplinary functions like HR, Telecom, Contracts, Materials, Planning, Monitoring and Transmission System Construction/O&M. Prior to joining POWERGRID in 1991, Shri Singh has worked for 10 years in NTPC. He was appointed as Director on our Board in April, 2012. | Shri R. P. Sasmal, aged 54 years, is Director (Operations) of our Company. A graduate Engineer from Sambalpur University, Odisha, Shri Sasmal has more than 30 years of experience in power sector. Shri Sasmal has handled multi disciplinary functions such as planning, monitoring and implementation of HVDC projects, EHV transmission systems and Load Despatch and Communication Systems. He was instrumental in introducing the ± 800 kV multi terminal HVDC transmission system, under implementation in the country, which is first of its kind in the world. Under his guidance, the first unmanned operation of 400 kV sub-station at Bhiwadi was implemented as a pilot project. He has been bestowed upon with "Distinguished Member of CIGRE, 2012" and has published various technical papers on transmission systems especially on HVDC in various national and international professional forums/societies like IEEE and CIGRE. He is currently the national representative for India at CIGRE for HVDC and Power Electronics. Before joining POWERGRID in 1993, he had worked in NTPC Ltd. for around 13 years. He was appointed as Director on our Board in August, 2012. | Shri Santosh Saraf, aged 60 years, is a Fellow Member of Institute of Chartered Accountants of India. He started his career in 1977 as a practicing Chartered Accountant and has an extensive experience of more than 35 years in the field of finance and taxation. During his dedicated career he has served, on professional assignment to many large industrial groups, banks, corporates and esteemed professionals. He was Chairman for the Western Development Council of Assocham & has held position of Managing Committee and Patron member for Assocham. Since 2008, he is Member of Central Board of Trustees (CBT) for Employees Provident Fund Organization (EPFO) of Central Government of India. He is member of Executive, Finance & Investment and Pension Implementation Committees of CBT (EPFO). He is member of Cost Accounting Standards Board of Institute of Cost Accountants of India. He was appointed as a Director on our Board in December, 2011. | Smt. Rita Sinha, aged 62 years, is an M.A. in Geography from Panjab University, Chandigarh. She retired from the I.A.S. in July 2010 from the post of Secretary to the Government of India, Department of Land Resources, Ministry of Rural Development. She has held several assignments both in the Central and State Governments in a career span of almost 38 years. She joined our Board on 27 th December, 2011. She was appointed as a Director on our Board in December 2011. |

| | | | | |
|---|--|-------------|---|------------|
| Directorship held in other Companies | 1. PTC India Limited 2. Powerlinks Transmission Company Limited | NIL | * 1. Power System Operation Corporation Limited. 2. North Eastern Electric Power Corporation Limited. | NIL |
| Membership / Chairmanship of Committees in other Companies | NIL | NIL | Audit Committee – 1. Power System Operation Corporation Limited. 2. North Eastern Electric Power Corporation Limited. | NIL |
| No. of Shares held | 9016 | 1798 | 1190 | NIL |

* This does not include Directorship in Private Companies.



पावरग्रिड

POWER GRID CORPORATION OF INDIA LIMITED

(A Government of India Enterprise)

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.

FORM OF PROXY

I/We _____ being a Member/Members of Power Grid Corporation of India Limited hereby appoint Mr./Mrs./Miss _____ of _____ in the district of _____ and failing him/her Mr./Mrs./Miss _____ of _____ in the district of _____ as my/our proxy to vote for me/us on my/our behalf at the **Twenty Third Annual General Meeting** of the Company to be held on **Wednesday, the 19th September, 2012 at "Air Force Auditorium, Subroto Park, New Delhi - 110 010" at 11.00 a.m.** and at any adjournment thereof.

| | | | | | | | |
|-------------------|--|--|--|--|--|--|--|
| Folio / Client ID | | | | | | | |
|-------------------|--|--|--|--|--|--|--|

| | | | | | | | |
|------------|--|--|--|--|--|--|--|
| DP ID Nos. | | | | | | | |
|------------|--|--|--|--|--|--|--|

| | | | | | | | |
|--------------------|--|--|--|--|--|--|--|
| No. of Shares held | | | | | | | |
|--------------------|--|--|--|--|--|--|--|

Note : Proxies in order to be valid must be duly filled in, stamped, signed and deposited at the Registered Office of the Company not less than 48 Hours before the time of commencement of the Meeting.

Please affix
15 paise
Revenue
Stamp

(Signature of Member)



पावरग्रिड

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ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Member/Proxy _____
(First) (Middle) (Surname)

I hereby record my presence at the **Twenty Third Annual General Meeting** of the Company to be held on **Wednesday, the 19th September, 2012 at 11.00 a.m at "Air Force Auditorium, Subroto Park, New Delhi - 110 010".**

| | | | | | | | |
|-------------------|--|--|--|--|--|--|--|
| Folio / Client ID | | | | | | | |
|-------------------|--|--|--|--|--|--|--|

| | | | | | | | |
|------------|--|--|--|--|--|--|--|
| DP ID Nos. | | | | | | | |
|------------|--|--|--|--|--|--|--|

| | | | | | | | |
|--------------------|--|--|--|--|--|--|--|
| No. of Shares held | | | | | | | |
|--------------------|--|--|--|--|--|--|--|

(Signature of Member/Proxy)



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GREEN INITIATIVE in Corporate Governance

E-COMMUNICATION REGISTRATION FORM

(In terms of circular no.17/2011 dated 21.04.2011 issued by the Ministry of Corporate Affairs)

Folio No. / DP ID & Client ID : _____

Name of 1st Registered Holder : _____

Name of Joint Holder(s) : _____

Registered Address : _____

E-mail ID (to be registered) : _____

I/we shareholder(s) of Power Grid Corporation of India Limited agree to receive communication from the Company in electronic mode. Please register my above e-mail in your records for sending communication through e-mail.

Signature: _____

(First Holder)

Date: _____

Note: Shareholder(s) are requested to keep the Company informed as and when there is any change in the e-mail address.



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ECS MANDATE FORM

(APPLICABLE FOR SHARES HELD IN PHYSICAL FORM ONLY)

To

Karvy Computershare Private Limited

Unit: Power Grid Corporation of India Limited,

Plot No. 17-24, Vittal Rao Nagar,

Madhapur, Hyderabad.

Pin - 500 081.

| | |
|-------------------------------------|--|
| Name of the First/Sole Share holder | |
| Folio No. | |

PAN / Email information

| | |
|--|--|
| Income Tax Permanent Account Number (PAN) (Please attach a photocopy of PAN Card) | |
| Email ID | |

ECS Mandate Form (for shares held in Physical mode)

| | | | | | | | |
|--|----|--|---------|--|--------|--|--|
| Bank Name | | | | | | | |
| Branch Name & Address | | | | | | | |
| Bank Account Type (tick) | SB | | Current | | Others | | |
| Bank Account Number | | | | | | | |
| 9 Digit Code Number of the Bank and Branch appearing on the MICR Cheque issued by the Bank. (Please attach a photo copy of the Cheque) | | | | | | | |

I hereby declare that the particulars given above are correct and complete and also express my concurrence to receive information through e-mail towards dividend paid by the Company under the ECS mode.

Signature of the 1st Registered Holder/Sole Holder

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REFERENCE INFORMATION

| | |
|--|--|
| Registered Office B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi - 110 016 | Company Secretary & Compliance Officer Ms. Divya Tandon |
| Corporate Office “Saudamini”, Plot No. 2, Sector 29, Gurgaon - 122 001 (Haryana) | |
| For the Financial year under review i.e. 2011-12 | |
| Statutory Auditors <ol style="list-style-type: none"> 1. M/s. S. K. Mehta & Co., Chartered Accountants 2682/2, Beadon Pura, Ajamal Khan Market, Karol Bagh, New Delhi – 110 005. Email : rohitmehta@skmehta.co.in 2. M/s. Chatterjee & Co., Chartered Accountants 153, Rash Behari Avenue, 3rd Floor, Kolkata – 700 029. Email : chatterjee.ca@rediffmail.com 3. M/s. Sagar & Associates, Chartered Accountants H. No. 6-3-244/5, Saradadevi Street, Prem Nagar, Hyderabad – 500 004. Email : vvidyasagarbabu@yahoo.co.in | Cost Auditors <ol style="list-style-type: none"> 1. Sh. Jugal Kishore Puri, Cost Accountant, K-19, NDSE Part II, New Delhi – 110 049. 2. M/s. Chandra Wadhwa & Co., Cost Accountants, 204, Krishna House, 4805/24, Bharat Ram Road, Darya Ganj, New Delhi – 110 002. 3. M/s. S. C. Mohanty & Associates, Cost Accountants, 511, Sahid Nagar, Bhubaneshwar – 751007. 4. M/s. K. G. Goyal and Associates, Cost Accountants, 8, Chitragupt Nagar, Jyoti Nagar Railway Crossing, Jaipur – 302005. |
| 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 Website: 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 | Bankers Indian Overseas Bank Bank of Baroda State Bank of Patiala Canara Bank State Bank of India Punjab National Bank Union Bank of India State Bank of Hyderabad HDFC Bank Ltd ICICI Bank Ltd IDBI Bank Indian Bank Allahabad Bank State Bank of Mysore Corporation Bank Axis Bank Ltd Kotak Mahindra Bank Yes Bank |

LETTER TO SHAREHOLDERS

Dear Shareholders,

It's my privilege to share with you the highlights of another excellent year which the Company has completed with your support. These are all the more creditable in the backdrop of slowing down of global economy.

Friends, during the year India's Gross Domestic Product (GDP) moderated to 6.5% as compared to 8.4% in both, FY 2009-10 and FY 2010-11. Inflation has remained stubbornly high and the rupee has been volatile having depreciated sharply in the recent period. Despite a slowdown in growth over FY 2011-12 in relative terms as compared to most of other countries, India's growth rate is still impressive.



Growth of power sector is the key to the economic development of our country. The pace of growth in industrial and commercial activities coupled with penetration of sector specific advanced technology including Information Technology (IT) in the day-to-day life of the common man, is expected to result in a high growth in power demand. To sustain the growth rate of India, Power Sector growth has to commensurate with the overall economic growth of the nation. Therefore, continued focus on investments on Power sector is essential.

Your Company has marked strong performance across all dimensions in fiscal 2012. The year saw all time high Assets Commissioning of about ₹ 14,021 Crore and capital investment of over ₹ 17,800 Crore. At the end of March, 2012, the conclusion of XI plan, I am happy to share that your Company successfully met the XI plan Capex targets. Against XI Plan target of ₹ 55,000 Crore, an investment of more than ₹ 55,300 Crore has been made for development of inter-State transmission system. With the above, your Company has almost trebled its investments in XI plan as compared to X plan.

The accelerated growth path of your Company during XI plan can be seen from the following:

| Parameter | End of X Plan | At the end of XI Plan | Growth in XI Plan |
|-------------------------------|---------------|-----------------------|-------------------|
| Transmission network (ckm) | 59,461 | 92,981 | 56.37% |
| Sub-stations (nos.) | 104 | 150 | 44.23% |
| Transformation Capacity (MVA) | 59,415 | 124,525 | 109.59% |
| Inter-regional Capacity (MW) | 14,100 | 28,000 | 98.58% |
| Gross Assets (₹ Crore) | 29,015 | 63,387 | 118.46% |

On the financial front, the turnover of the Company has now entered five figures and stands at ₹ 10,785.01 Crore in Fiscal 2012 and Profit after Tax increased to ₹ 3,254.95 Crore, which are 18.53% and 20.69% higher respectively, compared to the previous Fiscal 2011. Our Gross Fixed Assets as on 31st March, 2012 are valued at ₹ 63,387.34 Crore as against ₹ 50,343.35 crore in last fiscal. In fact, your Company's Gross Fixed Assets have grown about 118% during last five years.

On the operational front, as on 31st March, 2012, your Company owns and operates a transmission network of about 92,981 ckt kms of inter-State transmission lines, 150 nos. of EHV & HVDC substations with transformation capacity of about 1,25,000 MVA and wheels about 50% of total power generated in the country. With the commissioning of Rourkela-Raigarh 400kV D/c, Sasaram-Fatehpur 765kV S/c & Gaya-Balia 765kV S/c transmission links aggregating a capacity addition of 5,600 MW, the cumulative inter-regional power transfer capacity has now been enhanced to about 28,000 MW.

Under RGGVY, during FY 2011-12, by creating infrastructure for electrification in 9358 villages out of which 1688 were un-electrified villages, your Company has cumulatively as on 31st March, 2012, built infrastructure for 64,803 villages and provided Service connection to about 33.57 Lakh BPL households, which include about 6.78 Lakh households added during the year. During the year, 11,229 villages (cumulative 30,718 villages) were charged/electrified.

Friends, Indian Power Grid had not experienced any major grid disturbance during the past nine years. However, the electricity grid experienced two major disturbances consecutively on 30th July & 31st July, 2012. While the first disturbance affected only Northern Region, the second one affected Northern, Eastern and North Eastern Regions. However, the essential loads were restored at the fastest pace within few hours of the incidents and power supply was restored progressively and normalised

completely on the same day of the incident(s). Further, to avoid such recurrence in future, various actions have been / are being taken by your company.

Your Company continues to contribute towards sustainable development by proactively following the Environmental and Social Policy & Procedures (ESPP) for the conservation of forests, flora & fauna, resettlement & rehabilitation. In this regard, High Capacity ± 800 kV HVDC systems, 765 kV D/c lines, 1200 kV UHVAC technology –the highest voltage level in the world, Flexible AC Transmission Systems (FACTS), etc remained as prime focus of your Company.

Your Company is taking leadership initiative for implementation of Smart Grid Technology in the Country and has already undertaken a pilot project in northern region involving installation of Phasor Measurement Units (PMUs) as part of Wide area Measurement Systems (WAMS). Your company has taken up Unified Real Time Dynamic State Measurement (URTDMS) project for installation of PMUs at all 400 kV and above substations and also on the critical location of the State grids.

Your Company has evolved a comprehensive scheme for Green Energy Corridor associated with renewable energy sources integration into the Grid. It has also identified other measures to facilitate smooth integration of large scale renewable energy including solar energy sources in the country.

Towards Smart Grid in distribution sector, initiative has been taken for development of pilot Smart Grid/City in Puducherry through open collaboration. This would enable development of efficient energy system and energy conservation. It will act as a backbone to enable new business models like smart city comprising Smart Citizen Services, e-governance, electric vehicles, etc.

As part of Corporate Social Responsibility (CSR), your Company is making contributions to the society at large, wherein activities for socio-economic development of weaker sections have been taken up. 1% of PAT of the Company of the preceding year is earmarked as non-lapsable budget for CSR activities. Out of total CSR budget, 10% is earmarked exclusively for Natural Calamities. During FY 2011-12, about ₹ 25 Crore was incurred on various CSR activities including setting up of Mobile Medical Units, organizing eye & general health check up camps, providing scholarships to deserving students, setting up of library, computer room facilities for schools, primary health centre, drinking & sanitation facility, check dam, drainage, roads, community centre, promoting art & culture etc.

Your Company was recognized for excellence along many dimensions including infrastructure, sustainability etc and has received number of awards in various categories by Govt. of India and other prestigious organisations & institutes. POWERGRID bagged six prestigious National Awards for Meritorious Performance in Power Sector instituted by the Government of India for the year 2009-10 & 2010-11 - received three Gold Shields, two Silver Shields for Transmission System Availability and one Silver Shield for Early Completion of Transmission Project.

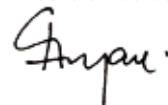
With the introduction of mandatory Tariff Based Competitive Bidding (TBCB) for inter-State Transmission Services in January, 2011, your Company has geared up for meeting challenges in the competitive environment with private players. Leveraging its competitive edge, your Company has secured all the transmission projects that were put under TBCB during FY 2011-12.

Considering the generation capacity addition of 75,785¹ MW envisaged during XII Plan, total fund requirement for transmission sector in the Country is estimated at about ₹ 1,80,000 Crore. Major portion of this investment i.e. of about ₹ 1,00,000 Crore is planned by your Company during XII Plan for further development of transmission systems. Your Company is well placed in terms of resource mobilisation owing to its excellent credit rating with financial institutions. The Company, as such, do not envisage any problem in mobilizing the resources for meeting the planned investment during XII plan period.

On behalf of the Company, I thank each shareholder for their unstinted support & trust placed on the Company and look forward for the continued support. I would also like to appreciate Team POWERGRID for its dedication, support and tireless efforts in building an enduring organization.

With best wishes,

Yours sincerely,



(R. N. Nayak)

Chairman & Managing Director

Place: New Delhi

Date: 09.08.2012

DIRECTORS' PROFILE



Shri R.N. Nayak
Chairman & Managing Director

Shri R.N.Nayak, aged 56 years, is the Chairman & Managing Director of our Company. He is a first class Bachelor of Electrical Engineering from REC Rourkela and holds an M.Tech(Electrical) from IIT Kharagpur. Shri Nayak has over 34 years of work experience, primarily in the power sector. He has worked for more than 20 years in POWERGRID and handled various multi-disciplinary functions like Engineering, Load Despatch & Communication, Grid Management, Contract Management, Quality Assurance and Inspection; Telecom Operation & Maintenance, Commercial and Human Resources. He has previously held the positions of Executive Director (Engineering & QA&I); Executive Director (Human Resource), Executive Director (R&D) in POWERGRID. Prior to joining POWERGRID in 1991, he has worked for about 7 years in NTPC and had a stint with SAIL. He has introduced many new technologies in the Indian Power Sector such as EMS & SCADA Project, ± 800 KV HVDC, 1200 KV UHV AC, Remote & unmanned operation of EHV sub-stations. He has also published and presented a large number of technical papers in various reputed International/National journals/conferences. Considering his contribution to power sector, he has been awarded P.M. Ahluwalia Award; is a Senior Member of IEEE and has been honored with Fellow of the Indian National Academy of Engineering(INAE) in Electrical Engineering Field and is also President of CIGRE India. He was appointed as Chairman & Managing Director in September, 2011.

Shri I.S. Jha
Director (Projects)



Shri I.S. Jha, aged 53 years, is Director (Projects) of our Company. He is an Electrical Engineer from NIT, Jamshedpur and a well known Electrical Power System Professional. Prior to his assignment he has successfully served as Executive Director (Engineering) in the Company. He has also worked as Executive Director - Corporate Monitoring Group and held the position of Executive

Director of North Eastern Region. Apart from these functions he was a lead Member in Planning, Engineering and Execution of APDRP and RGGVY schemes in POWERGRID. He has published numerous articles, technical papers in the field of power system in various international and National Conferences / Symposia. He was appointed as a Director on our Board in September, 2009.

Shri R.T. Agarwal
Director (Finance)



Shri R. T. Agarwal, aged 56 years, is Director (Finance) of our Company. Prior to taking up this assignment, he was working as Executive Director (Finance). A chartered accountant by profession, Shri Agarwal has more than 31 years of experience in multifarious Finance & Accounts functions like finalization of Accounts, coordination with Auditors, Taxation, Treasury Functions, Internal Audit, Budgeting,

Pay Roll, Concurrence, MIS & Commercial aspects etc both at the Corporate Centre and at Regional Headquarters of POWERGRID. As ED (Finance), he had played a pivotal role in the successful Follow-on Public Offer of POWERGRID in 2010. Before joining POWERGRID in 1991, he had worked in power major NTPC Ltd. project sites for around 10 years. He was appointed as a Director on our Board in July, 2011.

Shri Ravi. P. Singh Director (Personnel)



Shri Ravi P. Singh aged 52 years, is Director (Personnel) of our Company. He did his Mechanical Engineering from NIT, Allahabad in First Class with Honors and Post Graduate Diploma in HR from AIMA, New Delhi. He has previously held the positions of Executive Director (Eastern Region-II) and Executive Director (Human Resource Management & Corporate

Communication) in POWERGRID. Shri Singh has over 30 years of work experience in the power sector handling various multi-disciplinary functions like HR, Telecom, Contracts, Materials, Planning, Monitoring and Transmission System Construction/O&M. Prior to joining POWERGRID in 1991, Shri Singh has worked for 10 years in NTPC. He was appointed as a Director on our Board in April, 2012.

Shri R. P. Sasmal Director (Operations)



Shri R. P. Sasmal, aged 54 years, is Director (Operations) of our Company. Prior to taking up this assignment, he was Executive Director (Operation Services) in the Company. A graduate Engineer from Sambalpur University, Odisha, Shri Sasmal has more than 30 years of experience in power sector. Shri Sasmal has handled multi disciplinary functions such as planning, monitoring and implementation of

HVDC projects, EHV transmission systems and Load Despatch and Communication Systems. He was instrumental in introducing the ± 800 kV multi terminal HVDC transmission system, under implementation in the country, which is first of its kind in the world. Under his guidance, the first unmanned operation of 400 kV sub-station at Bhiwadi was implemented as a pilot project. He has been bestowed upon with "Distinguished Member of CIGRE, 2012" and has published various technical papers on transmission systems especially on HVDC in various national and international professional forums/societies like IEEE and CIGRE. He is currently the national representative for India at CIGRE for HVDC and Power Electronics. Before joining POWERGRID in 1993, he had worked in NTPC Ltd. for around 13 years. He was appointed as a Director on our Board in August, 2012.

Shri Rakesh Jain Government Nominee



Shri Rakesh Jain, aged 55 years, is a government nominee Director of our Company. He holds Masters Degree in Physics from Delhi University. He is an officer of Indian Audit & Accounts Service (1981). He is currently Joint Secretary and Financial Adviser (JS&FA) in the Ministry of Power. He is also a Government nominee Director

on the Board of NTPC Ltd. Before joining Ministry of Power, Shri Jain has held various important positions such as Director General (Accounts, Entitlement, Complaints & Information System); Principal Director (Report States) – Office of Comptroller & Auditor General of India; Accountant General (AG) (Audit), Rajasthan; AG(AE-II) Madhya Pradesh; Principal Director (Commercial Audit) Ranchi and Principal Director of Audit, Embassy of India, Washington, USA. He was appointed as a Director on our Board in June, 2009.

Ms. Rita Acharya Government Nominee



Smt. Rita Acharya, aged 58 years, is a Government nominee Director of our Company. She holds Masters Degree in Social Work from Madras University and Diploma in Development Administration from International Cooperation University, Italy, Rome. She is an officer of Central Secretariat Service. She is currently Joint Secretary (Transmission) in the Ministry of

Power. Before joining Ministry of Power, she has worked in the Ministry of Finance (Department of Economic Affairs) and Ministry of Home Affairs and handled various important portfolios like matters relating to foreign exchange budget, balance of payments, bilateral/multilateral assistance, water supply & forestry projects assisted by World Bank, Centre-State relations, prison reforms & treaties relating to repatriation of prisoners and energy conservation and transmission. She was appointed as a Director on our Board in August, 2011.

Shri Santosh Saraf
Independent Director



Shri Santosh Saraf, aged 60 years, is a Fellow Member of Institute of Chartered Accountants of India. He started his career in 1977 as a practicing Chartered Accountant and has an extensive experience of more than 35 years in the field of finance and taxation. During his dedicated career he has served, on professional assignment to many large industrial groups, banks, corporates and esteemed professionals. He was Chairman for the Western Development Council of Assocham & has held position of Managing Committee and Patron member for Assocham. Since 2008, he is Member of Central Board of Trustees (CBT) for Employees Provident Fund Organization (EPFO) of Central Government of India. He is member of Executive, Finance & Investment and Pension Implementation Committees of CBT (EPFO). He is member of Cost Accounting Standards Board of Institute of Cost Accountants of India. He was appointed as a Director on our Board in December, 2011.

Ms. Rita Sinha
Independent Director



Ms. Rita Sinha, aged 62 years, is an M.A. in Geography from Punjab University, Chandigarh. She retired from the I.A.S. in July, 2010 from the post of Secretary to the Government of India, Department of Land Resources, Ministry of Rural Development. She has held several assignments both in the Central and State Governments in a career spanning almost 38 years. She was appointed as a Director on our Board in December, 2011.

Shri Parvez Hayat
Chief Vigilance Officer



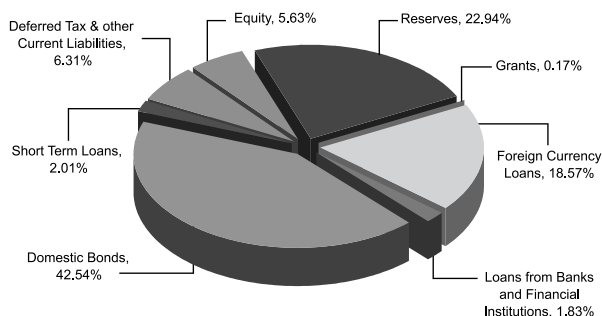
Shri Parvez Hayat, aged 53 years, is the Chief Vigilance Officer of our Company. He is an IPS Officer of Jharkhand Cadre of the 1984 Batch. He is a post graduate in Modern History and holds a Law degree from Delhi University. He has over 24 years of work experience. He worked in various capacities in both State and Central Govt. such as S.P/Sr.S.P of five Districts of Bihar/Jharkhand; PS to the Union Minister of Home Affairs, Govt. of India, Delhi; Commandant Staff (Operations) Directorate General of ITBP, MHA, GOI, Delhi, subsequently in State of Jharkhand as DIG of Palamu Range & DIG (Crime Branch) at State Police Hqs., Ranchi. Later on central deputation as Asstt. Director General, Central Economic Intelligence Bureau, Ministry of Finance; IGP (Police Modernization & Trg.), Govt. of Jharkhand; picked up his next promotion as ADG (Police Mod. & Trg.) in the month of September 2010. He assumed charge of office of Chief Vigilance Officer in February 2011.

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

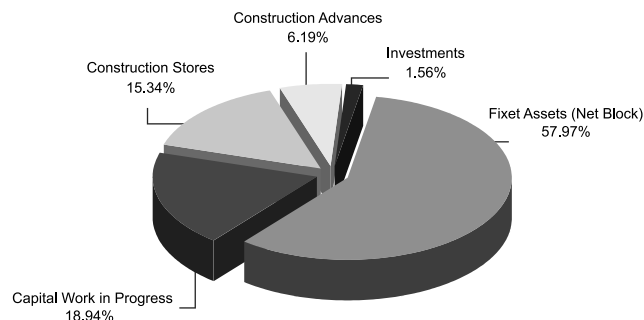
| Sl. No | Name (S/Sh) | Emp. No | Level | Designation | Department | Region | Location |
|---|-----------------------|---------|-------|-------------|----------------------|--|--------------|
| 1 | Dr. S.K. Agarwal | 00075 | E9 | ED | Tech.Dev. | CC | Gurgaon |
| 2 | Arun Kumar | 00077 | E9 | ED | BDD | CC | Gurgaon |
| 3 | Ashwani Jain | 00095 | E9 | ED | Telecom | CC | New Delhi |
| 4 | Pankaj Kumar | 00105 | E9 | ED | SEF, Cost Engg & ERP | CC | Gurgaon |
| 5 | Y.K. Sehgal | 00122 | E9 | ED | STF-SmartGrid | CC | Gurgaon |
| 6 | Mahender Singh | 00184 | E9 | ED | Commercial | CC | Gurgaon |
| 7 | B. Mishra | 00189 | E9 | ED | CP & IT | CC | Gurgaon |
| 8 | V.C. Jagannathan | 00301 | E9 | ED | F&A | CC | Gurgaon |
| 9 | I.R. Kidwai | 00454 | E9 | ED | HR | CC | Gurgaon |
| 10 | Smt.Anjana Dhar | 01330 | E9 | ED | Intl Business | CC | Gurgaon |
| 11 | B.S.Pandey | 10026 | E9 | ED | Engg-S/s,TL & Civil | CC | Gurgaon |
| 12 | D.K. Valecha | 10027 | E9 | ED | CMG | CC | Gurgaon |
| 13 | Bhaskar Sharma | 10031 | E9 | ED | Head of Region | ER-I | Patna |
| 14 | Sanjeev Singh | 10040 | E9 | ED | Head of Region | ER-II | Kolkata |
| 15 | N.S. Sodha | 10053 | E9 | ED | LD&C | CC | Gurgaon |
| 16 | S. Sen | 10871 | E9 | ED | Head of Project | North Eastern-Northern/ Western Interconnector-I Project | Guwahati |
| 17 | Oommen Chandy | 10872 | E9 | ED | CS & MM | CC | Gurgaon |
| 18 | R.K. Singh | 11044 | E9 | ED | Head of Region | WR-II | Baroda |
| 19 | Prabhakar Singh | 20003 | E9 | ED | Head of Region | NR-I | New Delhi |
| 20 | Bharat Bhushan | 20006 | E9 | ED | Head of Region | WR-I | Nagpur |
| 21 | V. Sekhar | 20107 | E9 | ED | Head of Region | SR-I & SR-II | Secunderabad |
| 22 | S.C. Singh | 40081 | E9 | ED | Head of Region | NR-II | Jammu |
| 23 | Rajendra Singh | 50861 | E9 | ED | HRD | CC | Gurgaon |
| On deputation to other Organization(s) | | | | | | | |
| 1 | M.Krishna Kumar | 00129 | E9 | ED | On deputation | North Eastern Transmission Co.Ltd. | Gurgaon |
| 2 | Kaushal K. Agrawal | 00182 | E9 | ED | On deputation | Central Electricity Authority | New Delhi |
| 3 | D.S. Singh | 10057 | E9 | ED | On deputation | Teestavalley Power Trans- mission Ltd. | Gurgaon |
| 4 | S. Singh | 20049 | E9 | ED | On deputation | Jaypee POWERGRID Ltd. | New Delhi |
| General Managers Incharge heading Region / Project /Department | | | | | | | |
| 1 | S.K. Gupta | 10034 | E8 | GM I/c | Head of Project | Western-Northern HVDC Interconnector Project | Kurukshetra |
| 2 | V.K. Agarwal | 17003 | E8 | GM I/c | Regulatory Cell | CC | Gurgaon |
| 3 | D.K. Sarma | 50005 | E8 | GM I/c | Head of Region | NER | Shillong |
| POSOCO | | | | | | | |
| 1 | S.K. Soonee | 45003 | E9 | ED | CEO POSOCO | POSOCO HQ | New Delhi |
| 2 | V.V. Sharma | 00392 | E8 | GM | Head of RLDC | NRLDC | New Delhi |
| 3 | U.K. Verma | 16373 | E8 | GM | Head of RLDC | ERLDC | Kolkata |
| 4 | P. Pentayya | 25011 | E8 | GM | Head of RLDC | WRLDC | Mumbai |
| 5 | P.R. Raghuram | 30025 | E8 | GM | Head of RLDC | SRLDC | Bangalore |
| 6 | T.S. Singh | 50022 | E7A | AGM | Head of RLDC | NERLDC | Shillong |

POWERGRID'S PERFORMANCE

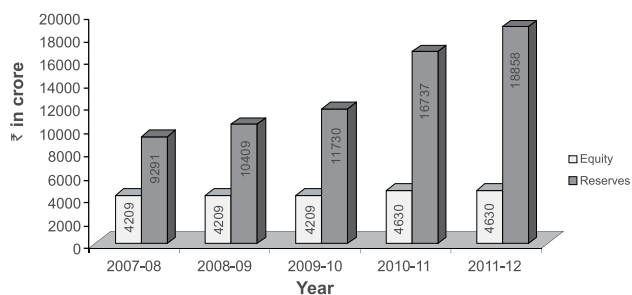
Sources of Funds (%) 2011-12



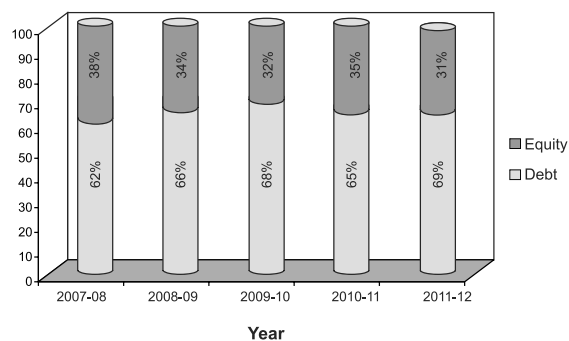
Application of Funds (%) 2011-12



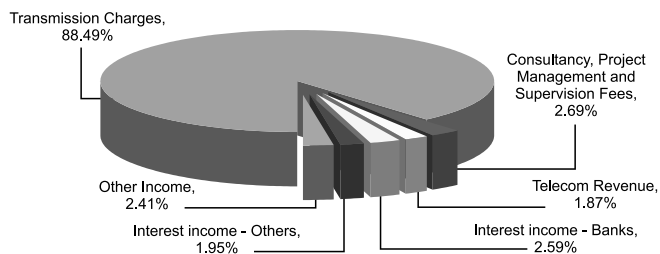
EQUITY AND RESERVES



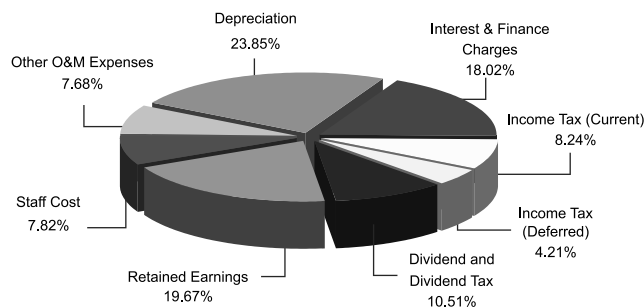
Debt Equity Ratio (%)



INCOME BREAK-UP (%) 2011-12



Distribution of Revenue - 2011-12



FIVE YEARS SUMMARY

OPERATING RESULTS

(₹ in crore)

| | 2011-12(*) | 2010-11(*) | 2009-10 | 2008-09 | 2007-08 |
|---|-----------------|----------------|----------------|----------------|----------------|
| (A) EARNED FROM : | | | | | |
| Transmission Charges | 9544.19 | 7902.15 | 6700.56 | 5324.26 | 4241.25 |
| Consultancy Revenue | 289.95 | 299.35 | 269.17 | 215.90 | 250.04 |
| Telecom Revenue | 201.19 | 187.20 | 157.72 | 149.83 | 123.53 |
| Other Income | 749.68 | 710.05 | 376.13 | 448.73 | 466.71 |
| Total Earnings | 10785.01 | 9098.75 | 7503.58 | 6138.72 | 5081.53 |
| (B) PAID & PROVIDED FOR : | | | | | |
| Employees Remuneration & Benefits | 842.97 | 745.89 | 726.70 | 643.88 | 519.06 |
| Transmission Expenses | 328.38 | 270.38 | 244.91 | 199.61 | 171.55 |
| Administration Expenses | 476.21 | 415.59 | 257.56 | 208.10 | 162.42 |
| Other Expenses(Including Prior Period Adj.) | 19.96 | 11.49 | 101.23 | 74.26 | 189.51 |
| Deferred Revenue Expenditure | 1.79 | 1.86 | 1.78 | 1.83 | 5.43 |
| Provisions | 2.30 | 3.98 | 22.15 | 46.23 | 3.83 |
| Total Expenditure(Excl. Depreciation & interest) | 1671.61 | 1449.19 | 1354.33 | 1173.91 | 1051.80 |
| Profit before Depreciation & Interest | 9113.40 | 7649.56 | 6149.25 | 4964.81 | 4029.73 |
| Depreciation | 2572.54 | 2199.39 | 1979.69 | 1093.97 | 959.65 |
| Interest & Finance Charges | 1943.26 | 1625.44 | 1543.24 | 1642.27 | 1339.55 |
| Net Profit after Interest & Depreciation but before Tax | 4597.60 | 3824.73 | 2626.32 | 2228.57 | 1730.53 |
| Provision for tax (MAT) | 888.51 | 684.61 | 421.91 | 478.60 | 197.11 |
| Fringe Benefit Tax (FBT) | - | - | (1.50) | 14.60 | 10.50 |
| Net Profit after MAT & FBT | 3709.09 | 3140.12 | 2205.91 | 1735.37 | 1522.92 |
| Deferred Tax | 454.14 | 443.23 | 164.97 | 44.76 | 74.45 |
| Profit after Deferred Tax | 3254.95 | 2696.89 | 2040.94 | 1690.61 | 1448.47 |
| Dividend | 976.89 | 810.23 | 631.34 | 505.08 | 505.08 |

(*) Figures have been re-grouped as per old Schedule VI formats.

FINANCIAL POSITION

(₹ in crore)

(A) WHAT THE COMPANY OWNED:

| | 2011-12(*) | 2010-11(*) | 2009-10 | 2008-09 | 2007-08 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Gross Fixed Assets | 63387.34 | 50343.35 | 43202.28 | 40319.33 | 35417.14 |
| Less: Depreciation | 15725.04 | 13119.37 | 11141.02 | 9190.89 | 8061.94 |
| Net Fixed Assets | 47662.30 | 37223.98 | 32061.26 | 31128.44 | 27355.20 |
| Capital Work in Progress | 15573.50 | 12963.68 | 10242.37 | 6533.43 | 5305.41 |
| Construction Stores | 12610.04 | 10749.25 | 7433.44 | 4694.19 | 2618.39 |
| Construction Advances | 5091.23 | 2911.66 | 2746.37 | 2058.38 | 834.29 |
| Investments (including Current Investments) | 1284.45 | 1398.35 | 1453.22 | 1592.83 | 1736.22 |
| Current Assets, Loans & Advances | 9994.56 | 10483.83 | 9627.32 | 8312.92 | 5376.78 |
| TOTAL (A) | 92216.08 | 75730.75 | 63563.98 | 54320.19 | 43226.29 |

(B) WHAT THE COMPANY OWED:

| | | | | | |
|-----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Long-term Loans: | | | | | |
| - Financial Institutions | 257.48 | 338.95 | 420.44 | 511.19 | 602.84 |
| - Foreign Loans | 15267.46 | 12221.55 | 11129.52 | 10248.83 | 7006.16 |
| - Bonds | 34983.62 | 26528.10 | 21171.83 | 16409.57 | 13257.81 |
| - Other Loans | 1243.35 | 344.17 | 445.00 | 545.84 | 646.67 |
| Total Long-term Loans | 51751.91 | 39432.77 | 33166.79 | 27715.43 | 21513.48 |
| Working Capital Loan (Short-term) | 1650.00 | 1450.00 | 1250.00 | 750.00 | 750.00 |
| Current Liabilities & Provisions | 11442.41 | 9989.27 | 10092.89 | 8313.19 | 5024.98 |
| Deferred Tax Liability(Net) | 1600.88 | 1146.74 | 703.51 | 538.54 | 493.78 |
| Advance against Depreciation | 2143.78 | 2176.07 | 2213.63 | 2159.59 | 1697.07 |
| TOTAL (B) | 68588.98 | 54194.85 | 47426.82 | 39476.75 | 29479.31 |

(C) NET WORTH OF THE COMPANY REPRESENTED BY :

| | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| (i) Equity capital(including Deposit) | 4629.73 | 4629.73 | 4208.84 | 4208.84 | 4208.84 |
| (ii) Reserves and Surplus | 18858.05 | 16724.05 | 11708.23 | 10414.75 | 9298.53 |
| iii) Less: Misc. Exp. to the extent not written off | | 2.41 | 3.56 | 5.50 | 7.19 |
| TOTAL (C) | 23487.78 | 21351.37 | 15913.51 | 14618.09 | 13500.18 |

(D) COMMITTED RESERVES & LIABILITIES

| | | | | | |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| i) Grants in Aid | 139.32 | 171.31 | 198.82 | 225.35 | 246.80 |
| ii) LDC Development Fund | | | 16.44 | | |
| iii) CSR Activities Reserve | | 13.22 | 8.39 | | |
| TOTAL (D) | 139.32 | 184.53 | 223.65 | 225.35 | 246.80 |
| TOTAL (B+C+D) | 92216.08 | 75730.75 | 63563.98 | 54320.19 | 43226.29 |

CAPITAL EMPLOYED

(Net Fixed Assets+Net Current Assets)

| | | | | | |
|--|----------|----------|----------|----------|----------|
| | 42469.79 | 34429.03 | 28678.55 | 28430.04 | 25515.15 |
|--|----------|----------|----------|----------|----------|

(E) RATIOS

| | | | | | |
|---|--------|--------|--------|--------|--------|
| Net Profit to Capital Employed(%) | 7.66 | 7.83 | 7.12 | 5.95 | 5.68 |
| Net Profit to Net Worth(%) | 13.86 | 12.63 | 12.83 | 11.57 | 10.73 |
| Net Worth per Rupee of Paid-up Capital (in ₹) | 5.07 | 4.61 | 3.78 | 3.47 | 3.21 |
| Debt/Equity Ratio | 69:31 | 65:35 | 68:32 | 66:34 | 62:38 |
| Liquidity Ratio | 0.66:1 | 0.79:1 | 0.74:1 | 0.75:1 | 0.75:1 |
| Earning per Share (Diluted EPS) (₹ per Share) | 7.03 | 6.19 | 4.85 | 4.02 | 3.60 |
| Book Value per share(₹ per share) | 50.73 | 46.12 | 37.81 | 34.73 | 32.08 |
| Capital Expenditure (₹ in Crore) | 17814 | 12005 | 10617 | 8167 | 6656 |

(F) OTHER IMPORTANT INFORMATION

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Length of Transmission Lines (CKT) | 92981 | 82355 | 75290 | 71500 | 67000 |
| No. of Substations | 150 | 135 | 124 | 120 | 111 |
| No. of Employees | 9670 | 9775 | 9162 | 8214 | 7645 |
| Transmission Network availability (%) | 99.94% | 99.80% | 99.77% | 99.55% | 99.65% |
| Power Transmitted on POWERGRID Network (in MU) | 430992 | 400596 | 363723 | 334013 | 328709 |

(*) Figures have been re-grouped as per old Schedule VI formats.

DIRECTORS' REPORT

Dear Shareholders,

Ladies & Gentlemen,

It gives me immense pleasure to present on behalf of the Board of Directors, the 23rd Annual Report on the performance of your Company during the financial year ending March 31, 2012 together with Audited Statement of Accounts, Auditors' Report and Review of the Accounts by the Comptroller and Auditor General of India for the review period.

Your Company has once again surpassed its 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 2011-12 too.

Your Company, in a brief span of 20 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 and National Grid.

In order to keep pace with changing business environment, your Company set its '**Vision**' to be the "**World Class, Integrated, Global Transmission Company with Dominant Leadership in Emerging Power Markets Ensuring Reliability, Safety and Economy**" and aligned its mission and objectives as a vanguard of foresight.

Out of many challenges met by your Company, the performance of your Company has been specifically commended in (i) execution of last leg of Transmission System in Creek area of Gujarat for evacuation of power from the Country's first Ultra Mega Power Project (UMPP) at Mundra before stipulated time, and (ii) restoration of Kishenpur-Wagoora 400kV Double circuit (D/c) transmission line in snow bound area of Kashmir valley about 5000 ft. above sea level within 48 hours under extreme hostile weather conditions.

Your Company has heralded creditable accomplishments in all its areas of operations. The major achievements during the year are as under:

- ❖ Investment of ₹ **17,814 Crore**, an increase of about 48% over last year.
- ❖ Added about **10,600 circuit kilometre (ckm)** of Extra High Voltage (EHV) transmission lines, 15 new EHV sub-stations and transformation capacity of more than **30,000 Mega Volt Ampere (MVA)**.
- ❖ Record commissioning of Assets worth ₹ **14,021 Crore**.
- ❖ Investment approval accorded for 43 new transmission projects worth about ₹ 39,225 Crore.
- ❖ **Transmission system availability attained - 99.94%, highest so far in the history of the Company.**
- ❖ With the addition of Inter-Regional power transfer capacity of **5,600 MegaWatt (MW)**, total inter-regional capacity of National Grid enhanced to 28,000 MW.

FINANCIAL PERFORMANCE

(Figures in ₹ Crore, except per share data)

| Description | 2011-12 | 2010-11 | Y-o-Y Growth |
|---------------------------------|---------------|---------------|---------------|
| Income | | | |
| Transmission Charges | 9,544 | 7,903 | 20.76% |
| Consultancy | 290 | 299 | (3.0%) |
| Telecom | 201 | 187 | 7.5% |
| Other Income | 750 | 710 | 5.6% |
| Total Income | 10,785 | 9,099 | 18.5% |
| Profit After Tax (PAT) | 3,255 | 2,697 | 20.7% |
| Earnings per Share (₹) | 7.03 | 6.19 | 13.6% |
| Book Value per Share (₹) | 50.73 | 46.12 | 10.0% |
| Gross Fixed Assets | 63,387 | 50,343 | 25.9% |
| Long term borrowings * | 51,752 | 39,433 | 31.2% |
| Net Worth | 23,488 | 21,351 | 10.0% |
| Debt Equity Ratio | 69:31 | 65:35 | - |
| Commissioning | 14,021 | 7,313 | 91.7% |

* including current maturities of long term borrowings.

OPERATIONAL EXCELLENCE

As on April 1, 2012, transmission assets of about 92,981 ckm of EHV transmission lines, 150 EHV sub-stations and transformation capacity of 124,525 MVA, spread over the length and breadth of the Country are under operation. Your Company continues to wheel about 50% of total power generated in the Country through its transmission network.

Your Company consistently maintains high availability of its transmission network by implementing technologically advanced operational techniques such as Hot Line Maintenance, Washing of Insulators hotline with the use of helicopters, Equipment Condition Monitoring techniques including Dynamic Testing of relays, Thermo-vision Scanning, Frequency Response Analysis (FRA) for transformers and reactors, large scale automation of sub-stations, etc.. Presently, 32 sub-stations of your Company are being operated remotely and many new sub-stations are being designed for remote operation. For further improvement in operational efficiency, a "National Transmission Asset Management Centre" is being established to facilitate centralised operation, monitoring & control of sub-stations remotely. This will help in optimal utilisation of manpower & other resources of a group of substations by creating "Maintenance Service Hub" facilities, and reduce the response time in case of faults & breakdowns.

Replacement of conventional insulators with polymer insulators at polluted stretches in NCR area has contributed significantly in achieving safe, secure & reliable operation of Grid during foggy weather conditions.

Average availability of transmission systems during the year 2011-12 was maintained at **99.94%**, highest ever in the history of the Company. Number of trippings per line was also abated at **0.59**.

To meet eventualities like earthquake, fire, cyclone, landslides, sabotage, etc., your Company has kept state-of-the-art Emergency Restoration Systems (ERS) at strategic locations for restoration of collapsed transmission line towers in shortest possible time. Further, to mitigate the above eventualities in case of substation, a mobile 400/220kV ERS substation is being procured, which will facilitate quick deployment & restoration of sub-station in only 1-2 weeks, which otherwise may take several months.

Some potent options are also being explored like use of robotic technology for condition monitoring of conductor, earthwire & hardwares besides aerial patrolling of transmission lines using helicopters.

PROJECT IMPLEMENTATION

Your Company puts its best efforts to implement transmission projects within stipulated time frame to derive maximum economic benefits. Further, 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.

All these dynamic facets led to excellent performance on project implementation front during FY 2011-12 and not a single MW power is bottled-up for want of our transmission. **Transmission projects worth about ₹ 14,021 Crore were commissioned during the year, thereby adding about 10,600 ckm, 15 sub-stations and transformation capacity of more than 30,000 MVA in the transmission system.** Major 400kV transmission lines commissioned during the year include Korba STPS-Raipur D/c, Wardha-Parli D/c(Quad), Baripada-Mendhasal D/c, Mundra-Bachau-Ranchorpura D/c (triple snowbird), Maithon RB-Ranchi D/c, Uri-II - Wagoora single circuit (S/c), Mauda-Wardha D/c(Quad) & Biharshariff-Sasaram D/c(Quad) lines. Major 765kV transmission lines commissioned during the year include Gaya-Balia, Balia-Lucknow, Seoni-Wardha, Bina-Indore, Sasaram-Fatehpur (Circuit-1), Gaya-Sasaram S/c lines.

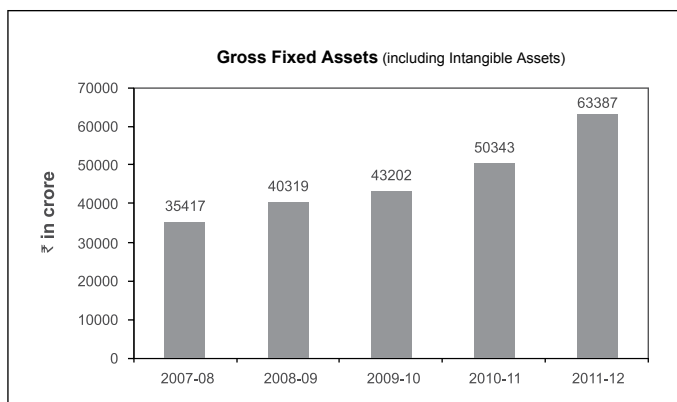
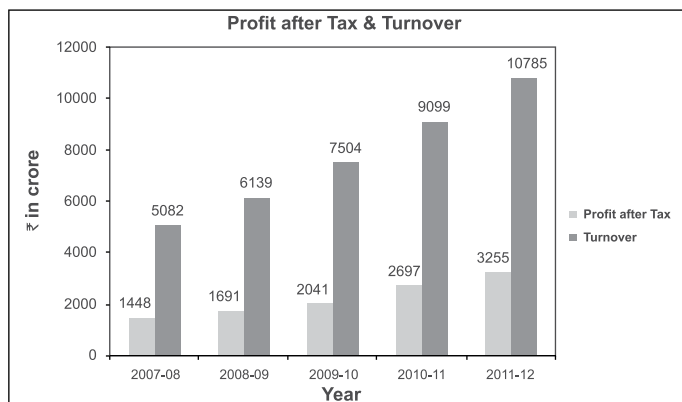
Notably, timely commissioning of 400kV D/C Mundra-Ranchorpura in September'11 and 400kV D/C Mundra-Limbdi D/c (triple snowbird) lines in February'12 associated with the 1st UMPP Project of the Country enhanced the image of confidence in power sector. In spite of severe Right-of-Way (RoW) problems, readiness of these systems had been ensured by your Company on its commitment.

During the year, **43 new projects** with an estimated cost of **about ₹ 39225 Crore** involving about **16900 Ckt km** of transmission lines, **22 new sub-stations** and transformation capacity of about **56000 MVA**, **HVDC terminal capacity of 3000 MW** and **16200 km of OPGW fibre optic cable** were approved and taken up for implementation.

FINANCIAL MANAGEMENT

Your Company has recorded an impressive financial performance during FY 2011-12, achieving a turnover of **₹ 10,785 Crore** and Net Profit of **₹ 3,255 Crore** as compared to **₹ 9,099 Crore** and **₹ 2,697 Crore** respectively during FY 2010-11. The gross asset base of the Company has been enhanced to **₹ 63,387 Crore** from **₹ 50,343 Crore** in 2010-11, an increase of about **25.9%**.

Your Company, through its improved performance in Telecom and Consultancy businesses, also enhanced value for the shareholders.



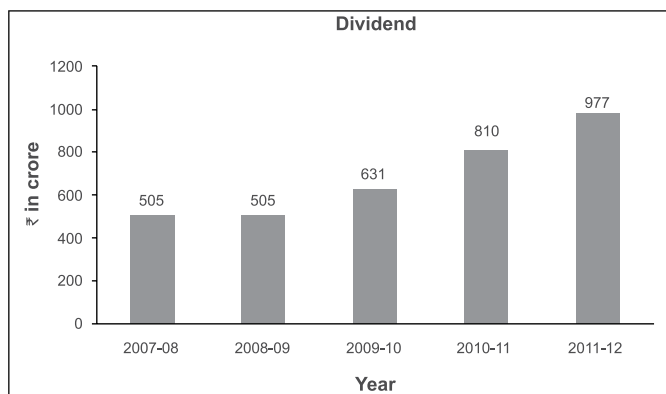
Capital Investment and Fund Mobilization

The Company undertook capital investment of ₹ **17,814 Crore** during the financial year 2011-12, which is about 48% higher than last year. ₹ **9,698 Crore** were mobilised from domestic market through private placement of bonds with attractive coupon rates and proceeds of ongoing loans from multilateral funding agencies, viz. The World Bank (WB) and Asian Development Bank (ADB) were utilised, besides accrued internal resources.

During the year, your Company has also tied up a line of credit of ₹ 5000 Crore from State Bank of India, of which ₹ 1000 Crore has been drawn in FY 2011-12 and balance is to be drawn in the subsequent years for part financing of the capital expenditure of POWERGRID projects.

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 for implementation of various transmission projects during XII Plan. Towards this, two loan agreements with ADB for a loan amount totalling to USD 576 million with sovereign guarantee, and also for the first time, a Non-Sovereign loan of USD 250 million on commercial principle basis was signed in March, 2012.



Dividend Payout

For FY 2011-12, your Company has proposed a final dividend of ₹ 1.31 per share in addition to ₹ 0.80 per share of interim dividend paid in Feb. 2012. The final dividend shall be paid after your approval at the Annual General Meeting. Thus, total dividend pay out for the year amounts to ₹ 976.89 Crore (including an interim dividend of ₹ 370.39 Crore) as against ₹ 810.23 Crore paid during the previous year. The total dividend pay out including dividend tax accounts for 34.8% of Profit after Tax of the Company.

Your Company is driven by its persistent zeal to build relationships and create wealth for its stakeholders through deploying cutting edge technology, adopting global best practices, optimum utilization of resources and sustainable development.

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 of the Company for that period;
- The Directors have taken proper and sufficient care for the maintenance of adequate records 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.

COMMERCIAL PERFORMANCE

Point of Connection (PoC) Charges tariff sharing mechanism through Central Electricity Regulatory Commission Regulations 2010, for Sharing of Transmission Charges and Losses has been implemented in the transmission sector w.e.f. July 1, 2011. POWERGRID as Central Transmission Utility (CTU) of the Country has been assigned the responsibility to carry out activities like raising of transmission charge bills on behalf of all the ISTS Licensees, collecting the amount and disbursing the same to them. In order to implement the Billing, Collection and Disbursement (BCD), a Portal has been developed by your Company during the year through which bills of transmission charges are prepared, raised and uploaded on the website for about 61 Designated ISTS Customers (DICs) including payment details by the customers.

Through petitions and follow up with Central Electricity Regulatory Commission (CERC), Regulatory Approvals have been secured by your Company for transmission projects worth total estimated cost of about ₹ 26,170 Crore during the year so as to take up these projects for investment approval and execution.

DEVELOPMENT OF NATIONAL GRID

In line with the Plan for enhancement of inter-regional power transfer capacity of the National Grid, Rourkela–Raigarh 400kV D/c, Sasaram–Fatehpur 765kV S/c & Gaya–Balai 765kV S/c inter-regional links with aggregate capacity of **5,600 MW** have been commissioned. With this, the cumulative inter-regional power transfer capacity of National Grid has been enhanced to **about 28,000 MW**. Commissioning of these inter-regional links has strengthened the inter-regional grid capacity of Eastern Region with Western Region and Northern Region. This would go a long way in promoting economic energy exchange by facilitating transfer of power across the Country.

Four major regional power grids of the country, namely Northern, Eastern, North-Eastern & Western continued to operate at same frequency in synchronous mode as one of the largest synchronous grid in the world with total installed capacity of about 148,000 MW. Southern Regional grid, which is presently connected through various High Voltage Direct Current (HVDC) links with rest of the grid is planned to be connected synchronously by early 2014 through high capacity Raichur–Sholapur 765kV (2xS/c) lines.

To further strengthen the National Grid, various high capacity HVDC and EHV Alternating Current (EHVAC) inter-regional links with total capacity of 38,400 MW have been planned to take care of inter-regional power transfer requirement of various planned generation projects including Independent Power Producers (IPPs) scheduled for commissioning in XII Plan. The Inter-regional power transfer capacity of National Grid thus envisaged to be enhanced to about 66,400 MW by end of XII Plan.

GRID MANAGEMENT AND OPEN ACCESS

Grid Management function is continued to be looked after by Power System Operation Corporation Limited (POSOCO), a 100% subsidiary company of POWERGRID. 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.

With the ever expanding transmission network in the Country, complexities of grid operation are also escalating. Keeping this in mind, the facilities at all the five Regional Load Despatch Centers (RLDCs) and National Load Despatch Centre (NLDC) are being upgraded continuously through deployment of latest technology. Indian Power Grid had not experienced any major grid disturbance during the past nine years. However, the electricity grid experienced two major disturbances consecutively on 30th July & 31st July, 2012. While the first disturbance affected only Northern Region, the second one affected Northern, Eastern and North Eastern Regions. However, the essential loads were restored at the fastest pace within few hours of the incidents and power supply was restored progressively and normalised completely on the same day of the incident(s). Further, to avoid such recurrence in future, various actions have been/are being taken by your company.

Our strong transmission network and modernised RLDCs have facilitated about 58 Billion Units (BUs) of inter-regional energy transfer across the Country, as compared to previous year (about 56 BUs). Growth of inter-regional power exchange helped in meeting more demand in energy deficit regions besides achieving overall economy.

During FY 2011-12, 24,109 transactions involving about 67 BUs of energy were approved under short term open access (STOA) compared to 19,883 transactions and about 55 BUs of energy during 2010-11.

Your Company, as CTU is the nodal agency for grant of Long Term Access (LTA), Medium Term Open Access (MTOA) and Connectivity. LTA has been granted for about 82,000 MW to 133 nos. of IPP projects, MTOA has been granted for about 2400 MW to 33 nos. of applicants and connectivity has been granted to 67 nos. of eligible applicants for about 59,710 MW.

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 operational 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.

During the year, Integrated Management System of your Company was reviewed and based on evaluation of implementation of the latest systems and procedures, the revised certification was acclaimed. Your Company stands certified for Integrated Management System as per Publicly Available Specification, PAS 99:2006 integrating requirements of ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environment Management System) and OHSAS 18001:2007 (Occupational Health & Safety Management System). Establishments of your Company have been audited for its Social accountability systems & certification of entire Corporation for Social Accountability Standard, SA 8000:2008 is re-confirmed. Your Company is following standard manufacturing quality Plan both at national & international level during inspection at various manufacturing stages and adhered to standard O&M manuals for operation & maintenance of its transmission system.

For capacity building, specially considering vast geographical spread of our operations, vendor development has been taken-up on priority to meet project requirements in execution as well as in supply of 765kV transformers, reactors & other critical equipment.

With a target to move towards zero product inspection, around 50 manufacturing units spread all over the Country/overseas were taken-up for process audits at their works.

Quality audits at sites have also been taken up during the year. Appropriate corrective actions were also ensured based on Quality Audit feedback. Quality Audit on implementation of Field Quality Plans was also carried out for assurance of quality during transportation, storage, erection and commissioning activities during implementation of projects.

TECHNOLOGY DEVELOPMENT

Your Company has undertaken several technological advancements aimed at conserving RoW, minimizing impact on natural resources & human habitat and cost effectiveness in evacuation of power by upgrading & uprating of existing transmission lines, use of High Temperature endurance Conductors, Series Compensation including Thyristor Control, Flexible AC Transmission System (FACTS), use of Multi Circuits, Compact & Tall Towers, Gas Insulated Sub-stations (GIS), High Surge Impedance Loading (HSIL) Lines, Large Scale Automation of Sub-stations, unmanned Sub-stations etc..

Power transmission at higher voltage levels not only offer increased power transfer capability, it also helps in reduction of transmission losses and reduction of Right of Way requirement. Experienced with implementation and operation of ± 500 kV HVDC & 765kV EHVAC transmission systems, your Company is now working on higher transmission voltages of ± 800 kV HVDC & 1200kV Ultra High Voltage AC (UHVAC).



Fig: 1200kV (World's Highest Voltage level) bay at the National Test Station

± 800 kV multi-terminal HVDC System

Implementation of ± 800 kV, 6000 MW multi-terminal HVDC system of around 2000 km from North Eastern Region (Biswanath Chariali in Assam and Alipurduar of West Bengal) to Northern Region (Agra in Uttar Pradesh) is under construction. It shall be amongst world's largest ± 800 kV multi-terminal HVDC system.

1200kV UHVAC Transmission System

To meet the long-term bulk power transfer requirement an overlaying super grid with 1200kV UHVAC system has been envisaged. The 1200kV UHVAC technology, the highest voltage level in the world, is being developed by your Company in collaboration with 35 Indian manufacturers. This is one of the unique R&D projects in public-private partnership model.

The pilot 1200kV S/c line was successfully test charged and 1200 kV D/c line erected at 1200kV UHVAC National Test Station at Bina, Madhya Pradesh in February, 2012 by your Company. The 1200 kV UHVAC technology current under field testing.

This endeavour shall benefit Indian power sector to enter into new era of 1200kV level with 1200kV class equipment from the manufacturers within Country.

Other Initiatives

Technological initiatives such as Pollution & Lightning mapping of transmission system, Process bus technology & Superconducting (Zero Resistance) Technology are being taken up/ explored for their viability in Indian Power System to ensure more efficient, safe, secure & reliable operation of Grid.

SMART GRID TECHNOLOGY

Smart Grid is confluence of Information, Communications & Electrical/ Digital technologies. Smart Grid, apart from facilitating real time monitoring and control of power system will help in reduction of AT&C losses, peak load management/ demand response, integration of renewable energy, power quality management, outage management etc.. Smart Grid will act as a backbone infrastructure to enable new business models like smart city, electric vehicles, smart communities apart from more resilient and efficient energy system and tariff structures.

Your Company is taking leadership initiative for implementation of Smart Grid Technology in the Country and has already installed 8 Nos. of Phasor Measurement Units (PMUs) as part of Wide Area Measurement Systems (WAMS) as a pilot in Northern Region Grid.

Unified Real Time Dynamic State Measurement (URTDSM) project for installation of PMUs, Phasor Data Concentrators (PDCs) etc. has been formulated. First test lab for PMU and PDC testing in India is being established by your Company at Bhiwadi in Northern Region.

Secretariat of the prestigious “India Smart Grid Task Force (ISGTF)” forum, is being operated by your Company and providing technical support in evaluation of proposals. Model Request for Proposals (RfP) has been prepared for Smart Grid Pilot project in distribution sector. Further, your Company is also providing technical support for Ministry of Power in evaluation of proposals received from Utilities for establishing Pilot Project in Distribution Sector.

Your Company has formed specialised “Smart Grid” department to take up implementation of Smart Grid / Smart City Projects. Detailed Project Report (DPR) for a number of cities like Amritsar, Raipur (Satara), Puducherry, Agartala, and Panipat for pilot smart grid projects have been submitted under India Smart Grid Task Force. Further, project reports for implementation of Smart grid/ cities for Firozabad and Katra have been submitted and for Bidhuna, Shikohabad, Jammu (Gandhinagar Division), Baghat, Gulmarg, Pahalgam, Charar-i-Sharief, Chitradurga (Karnataka), District/cities of Tripura, Chhatisgarh, Haryana, Punjab, Bihar etc. are under preparation.

The pilot Smart grid/ Smart city project in Puducherry has been taken up for which an MOU has been signed with Electricity Dept., Govt. of Puducherry in March 2012. In all, 63 organizations have joined hands with your Company for implementation this pilot project.

Your Company has evolved a comprehensive scheme for Green Energy Corridor associated with renewable energy sources integration into the Grid. Also, it has identified other measures to facilitate smooth integration of large scale renewable generation capacity addition.

PERFORMANCE IN TELECOM

Your Company with its brand name ‘**POWERTEL**’ in Telecom business is the only utility in the Country having overhead optic fibre network using OPGW (Optical Ground Wire) on power transmission lines. POWERGRID has an all India Broad Band Telecom Network of about 25000 Kms.

It is a matter of pride that your Company is one of the few telecom players with a marked presence in remote areas of NER, J&K etc.. It has acquired National Long Distance (NLD) and Internet Service Provider (ISP-A) and Infrastructure Provider Category-I (IP-I) licences to provide a variety of services.

During the year, few more cities viz. Kottayam, Nadia, Puruliya, Jalpaigudi, Bhagalpur, Saifai & Kurukshetra have been added to our telecom network, taking the tally to 206 cities.

During the year, your Company added 11 new customers on its network, further increasing its already illustrious list of Customers, which include prime telecom companies, prestigious Government organizations, International Operators and various Government Offices. In addition, the Company is also planning to attract customers from entertainment and broadcasting industry.

Total Order Book of Telecom rose to ₹ **1,050 Crore** from ₹ **650 Crore** in previous year (i.e. up by 62%) despite a general slowdown experienced by Telecom industry due to intense price wars. Telecom Backbone system availability during the fiscal was maintained at 99.97%.

National Knowledge Network (NKN) project

Your Company is one of the implementing agencies for the prestigious National Knowledge Network (NKN) project through which Government plans to connect all knowledge centres across the Country such as IITs, IISc, etc. on high speed connectivity. Revenue realised under this project during FY 2011-12 is ₹ 45.02 Crore.

National Optical Fiber Network (NOFN) project

Your Company is a member of Advisory Body and Core Committee of National Optical Fiber Network (NOFN) project through which Government of India plans to connect 250,000 Gram Panchayats on Optical Fiber network at an estimated cost of ₹ 20,000 Crore with completion schedule of 24 months, utilising existing facilities of BSNL, POWERGRID and RAILTEL. POWERGRID share in the project is expected to be 20% involving 50,000 Gram Panchayats. A Pilot Project has been taken up in Vizag (AP).

Multi Protocol Label Switching (MPLS)

Your Company has taken up implementation of MPLS through Virtual Private Network which will provide highly Secure & Reliable Network connectivity (any-to-any) on Internet Protocol (Routing). Apart from being cost effective, MPLS offers advantages like maximum Bandwidth Utilization, Scalable & Simpler Customer Connectivity (Radial Connectivity), easy Provisioning & Maintenance etc..

BUSINESS DEVELOPMENT & CONSULTANCY

Your Company has established itself as one of the leading consultants in the field of Power Transmission, Sub-transmission, Distribution, Load Despatch & Communication and Telecom sectors and is utilising this expertise to offer consultancy services world wide.

On the domestic front, during FY 2011-12, your Company has bagged **41** new assignments having project cost of ₹ **1002 Crore**. Further, your Company has been appointed as Design cum Implementation Supervision Consultant for strengthening of Transmission & Distribution System of 6 States of NER having Project cost of around ₹ **8400 Crore**.

In international arena, the Company is working in **11 countries** viz. Nepal, Bhutan, Bangladesh, Afghanistan, Sri Lanka, Myanmar, UAE, Nigeria, Ethiopia, Kenya & Tajikistan.

During the year, your Company signed Memorandum of Understanding (MoU) with Kenya Electricity Transmission Co. Ltd. (**KETRACO**) and Ethiopian Electric Power Corporation (**EEPCo**) for providing assistance for development of Power Transmission network in their countries. In addition, a General Cooperation Agreement was signed with Gulf Cooperation Council Interconnection Authority (**GCCIA**) for providing technical services in areas of Operation and Maintenance of HVDC, Telecom, Grid Operations, Technical services, system planning and operation etc.. Further, an MoU was signed with International Finance Corporation (**IFC**), an extended arm of the World Bank, for extending co-operation between POWERGRID and IFC to identify and evaluate transmission projects for development and/or Own/Co-own transmission projects in Asian and African Continents by providing financial and technical services to Project's client.

SAARC Grid

POWERGRID has emerged as a strong player in South Asia and is playing an active role in formation of a strong **SAARC grid** for effective utilization of resources for mutual benefits. Presently, various electrical interconnections exist between **India & Bhutan** and **India & Nepal** and these are being further strengthened for substantial exchange of power across the borders. An asynchronous interconnection between **India & Bangladesh** is under implementation. Also, feasibility study for an under-sea interconnection between **India and Sri Lanka** is under finalization and 500MW Amritsar (India) - Lahore (Pakistan) HVDC link between **India and Pakistan** is under discussion.

STRATEGIC ALLIANCES

Your Company intends to enter into manufacturing of transmission line towers/ conductors/ equipment by forming Joint Venture Companies (**JVCs**) with the manufacturers of basic raw material. In this direction, your Company has signed MoUs with National Aluminium Company Limited (**NALCO**) and Rashtriya Ispat Nigam Limited (**RINL**) to explore the opportunity of manufacturing conductors and transmission line towers respectively, including research and development.

CONTRIBUTION IN DISTRIBUTION REFORMS

To enable end consumers to derive benefit of additions in generation & transmission, Govt. of India's Rajiv Gandhi Grameen Vidhyutikaran Yojana (RGGVY) Scheme aims at providing electricity in all villages & habitations and provides access to electricity to all rural below poverty line (BPL) households.

Under RGGVY, your Company has been assigned the job for execution of rural electrification works in 65 districts in the Country. Upto end of XI plan, your Company has created infrastructure for electrification of 64,803 villages out of which 32,318 were un-electrified villages and provided 33.57 lac Service Connections to BPL households.

During FY 2011-12, infrastructure for **electrification in 9358 villages**, including 1688 un-electrified villages, was created and Service connections were provided to about **6.783 Lakh BPL households**.

By end of FY 2011-12 cumulatively 30,178 Villages have been charged including 11,229 during the year.

XI PLAN ACHIEVEMENTS

Your Company surpassed its planned capital investment of ₹ **55,000 Crore** during XI Plan and made an investment of more than ₹ **55,300 Crore** for development of inter-State transmission system.

Achievements in XI Plan provide ample testimony to the untiring efforts put in by your Company. To propel the growth of your Company to the next orbit, Govt. of India has accorded the prestigious Navratna Status in May 2008, thereby providing greater autonomy & powers.

Accelerated growth path of your Company during XI Plan can be seen from the following table, which shows a phenomenal built up of about 50% capacity of Company's present network in XI Plan only w.r.t. the capacity as built in last many years.

| Parameter | At the end of X Plan | At the end of XI Plan | Addition during XI Plan | Growth in XI Plan |
|-------------------------------|----------------------|-----------------------|-------------------------|-------------------|
| Transmission network (ckm) | 59,461 | 92,981 | 33,520 | 56.37% |
| Sub-stations (nos.) | 104 | 150 | 46 | 44.23% |
| Transformation Capacity (MVA) | 59,415 | 124,525 | 65,110 | 109.59% |
| Inter-regional Capacity (MW) | 14,100 | 28,000 | 13,900 | 98.58% |
| Gross Assets (₹ Crore) | 29,015 | 63,387 | 34,372 | 118.46% |

During XI Plan, your Company has operationalised 765kV EHVAC level by charging Sipat-Seoni transmission line at its rated voltage in October, 2007. Additionally, during the plan, seven (7) number of 765 kV sub-station and above 3500 ckm. of 765 kV transmission lines have been added. Further, the highest voltage level in the world, 1200kV UHVAC Test Station has been test charged.

National Load Despatch Centre (NLDC), the apex body to ensure integrated operation of the national power system at national level, commissioned in **Feb., 2009**. Power System Operation Corporation Limited (POSOCO), a 100% subsidiary of your Company, set up to look after Grid Management function in line with GoI directive, started commercial operation from **1st October, 2010**.

As part of prestigious international consultancy assignments, the construction of 220kV Transmission line from **Pul-e-Khumri to Kabul in Afghanistan completed in Jan., 2009** and **400kV GIS substation in Dubai (UAE)** successfully commissioned in 2010.

GoI has made Tariff Based Competitive Bidding (TBCB) mandatory for inter-State Transmission System from January 5, 2011. Leveraging its competitive edge, your Company has secured both the transmission projects invited under TBCB since then.

XII PLAN INVESTMENT PROGRAMME

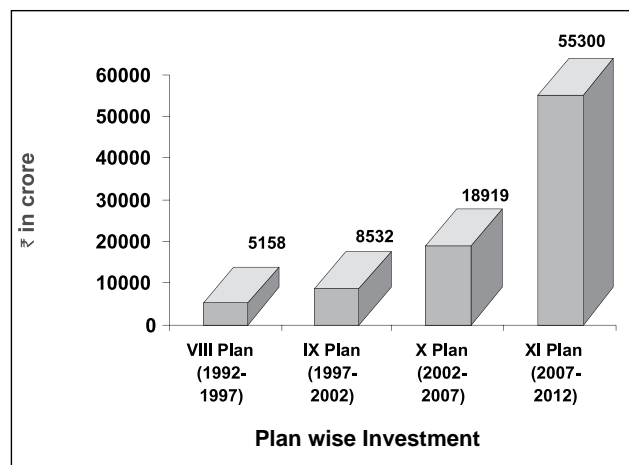
Considering the generation capacity addition of 75,785¹ MW envisaged during XII Plan, total fund requirement for transmission sector is estimated at about ₹ **180,000 Crore**. In this, major portion of the investment i.e. **about ₹ 100,000 Crore is planned by the Company during XII Plan** for further development of inter-State transmission systems which includes development of High Capacity Power Transmission Corridors (HCPTCs) apart from inter-regional links for enhancement of National Grid capacity & various system strengthening schemes.

Your Company is placed in a comfortable position in terms of resource mobilisation owing to its excellent credit rating. Loan requirement is planned to be met through borrowings from multilateral funding agencies (The World Bank and Asian Development Bank), Supplier's credit, ECB loan and from domestic sources on the basis of requirement.

ERP & IT

Your Company 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. Laptops and datacards have been provided to employees to enable them to discharge their functions efficiently. Main package of ERP Project has been awarded. The project includes deployment of Data Centre, Disaster Recovery Centre and augmentation of communication network.

Initiative towards implementation of Information Security Management System (ISMS) leading to ISO:27001 certification across the organization have been undertaken.



¹As projected by the Working Group on Power.

SUSTAINABLE DEVELOPMENT

Transmission projects are environmentally clean and involve neither any disposal of solid waste, effluents and hazardous substances in land, air and water nor large scale excavation which may result in soil erosion. Transmission line projects rather help in reducing environmental impacts of power projects, especially thermal power projects. Generation Projects could be located far away from inhabited areas to have minimum transportation of coal and for bulk power transfer, high capacity transmission lines are set-up to dispatch power to load centre located distance apart.

Your Company has proactively followed the Environmental and Social Policy & Procedures (ESPP) for the conservation of forests, flora & fauna, resettlement & rehabilitation. POWERGRID believes that its guiding principles of Reliability, Security and Economy have to match up to the rising expectations of a cleaner, safer, healthier environment for people, both affected and benefited by its activities. After adoption of ESPP, forest involvement on our transmission lines have been reduced to 1.35% from the level of 6% in 1998.

POWERGRID was the first Company in power sector to come out with 'Sustainability Report' and 2nd such report shall be coming out shortly, providing all stakeholders a clear picture of our contributions to sustainable development through its activities.

POWERGRID has undertaken Rain Water Harvesting systems in 6 Sub-stations with total expenditure of ₹ 25.75 lakhs as part of the Company's Sustainable Development initiative to contribute to the endurance of our ground water reserves.

Transfer of huge quantum of power across the regions poses massive challenges like RoW, clearing of forest, etc.. Therefore, your Company is focusing on more number of high capacity +800kV HVDC systems and 765kV D/c lines to minimise RoW and environmental problems. In addition, as mentioned your Company is developing 1200kV AC technology, highest AC voltage level in the world, as next higher AC voltage in the Country. The 1200kV AC voltage line would enable transfer of 7000-8000 MW power over single corridor which will help in utilizing the right-of-way in an optimal manner and minimizing of loss of forest, flora & fauna and scarce natural resource like land etc..

Besides, your Company has successfully demonstrated up-gradation of existing lower voltage lines to higher voltage operation to enhance the power transmission capacity within the same corridor without felling additional trees.

Optimization of RoW and its associated environmental and social impact in extra high voltage transmission line are far reaching and implementation of this voltage/ technology will go a long way in minimizing environmental and social impact of high voltage transmission line.

For overall sustainable development of the sector, your company's major thrust is on inclusive development of the sector. Towards this, your company besides undertaking capacity building program for various State power utilities, is in the process of forming Joint Venture Companies with State power utilities to take up intra-State transmission System & management contract for distribution circles etc.

As a step further a specialised dedicated Smart Grid, Distribution Management, Energy Efficiency and Carbon Emission reduction Cells have been created to take up these activities not only for POWERGRID establishment but for other utilities as well. Certification of our employees as Energy Auditor is being taken up in big way. During the year, Energy audit was completed at 12 sub-stations and reports have been implemented.

CORPORATE SOCIAL RESPONSIBILITY

Your Company emphasises on the overall development of areas and communities around its establishments. It undertakes various community development schemes through provision of facilities like health, education, drinking water besides infrastructure like roads, community centres etc..

During FY 2011-12, CSR expenditure of ₹ 24.93 Crore [0.92% of Profit after tax (PAT) of the preceding year] was made on carrying out more than 400 CSR projects, including 166 in the area of Infrastructure, 82 in Health, 57 in Education, 33 in Environment and 40 in Livelihood. These projects were carried out in consultation with the local stakeholders in the vicinity of the establishments, and therefore, have played a pivotal role in identifying the most pressing needs, and subsequently, improving the socio-economic conditions of the marginalized sections. During this period, more than **1.55 lakh tree saplings** were also planted. There is an ambitious plan of planting over one million trees in the coming years.

Your Company has also collaborated with number of specialized agencies to roll out its CSR initiatives. Some of the significant interventions were in the field of Capacity building training to youths in "Transmission Line Tower erection" which are being conducted in association with leading manufacturers. During this year, **213 unskilled workers** have been trained through Capacity Building Programme and gainfully employed in the transmission industry. Livelihood training programmes were also imparted to unemployed rural youth in tailoring, cutting/ stitching, embroidery, automobile repairing, handloom weaving, food & fruit processing, repairing of household appliances, etc. to secure employment or be self employed. Your Company has adopted Government ITIs at Buxar&Marhaura in Bihar, Bargi-Jabalpur in M.P. and Bhadravati in Maharashtra for upgradation under Public Private Partnership mode of "Adopt an ITI" scheme of GOI. Total about 500 students have passed out from these institutions in various trade such as moulding, welding, plumbing, electrical, mechanical etc. Further your company is in the process of

setting up of two (2) new ITIs each in the States of J & K and Odisha for enhancing the capacity building of the sector as well as employability of the youth of our country.

Some of the other noteworthy CSR initiatives include reclamation of Reserve Forest in Assam wherein tree saplings were planted in 100 hectares of land, providing mid-day meals to primary students in Haryana, providing Maternal & Child Health care services to around 45,000 villagers in backward areas of Mewat, Jhajjar & Gurgaon and providing broadband connectivity to few remote village panchayats in Maharashtra, Odisha & Assam.

PEOPLE, OUR CORE STRENGTH

Attracting Talent, Nurturing & Development of Human Capital

Our employees & their continuous development are the most valuable asset & investment of the Company. Your Company encourage innovation, meritocracy and the pursuit of excellence through continuous development. In this direction, your company is setting up a state-of-the-art HRD centre at Manesar named "POWERGRID Academy of Leadership" (PAL) at an estimated cost of over ₹ 55 crore for development of the employees of POWERGRID as well as that of State utilities.

During FY 2011-12, POWERGRID has inducted **394 personnel** at various levels viz., Executives, Supervisors, Workmen through open advertisement on all India basis and campus selection from reputed engineering and management institutes for executives, and for non-executives through employment exchanges and local advertisement at regional level.

For overall competency enhancement of employees in synchronization with business needs, environment and individual development Plan, your Company has boosted up its training efforts and an average 6.15 training mandays per employee has been achieved.

A centre for training on maintenance of live high voltage lines of up to 400kV has been established at Hyderabad 400kV sub-station. The state-of-the-art facility has been recognised as Category-I training centre in power sector by Central Electricity Authority for imparting training in Hot Line Maintenance on the live power transmission lines.

MoUs have been signed with Foundation of Innovation and Technology Transfer of IIT, Delhi (FITT, IIT Delhi) for conducting certification programmes for operation & maintenance of transmission system and telecom.

Corporate Yellow Pages of your Company have been collated to cope with the competitive regime. In fact, with the arrival of Knowledge economy, your Company is rising up to manage the knowledge assets, share, use, re-use, capitalize them and remain ahead of the competition.

Project management is the value driver that helps the organization gets most out of its performance. In view of the organisational need, **46 executives** got the Certification in Project Management from international bodies.

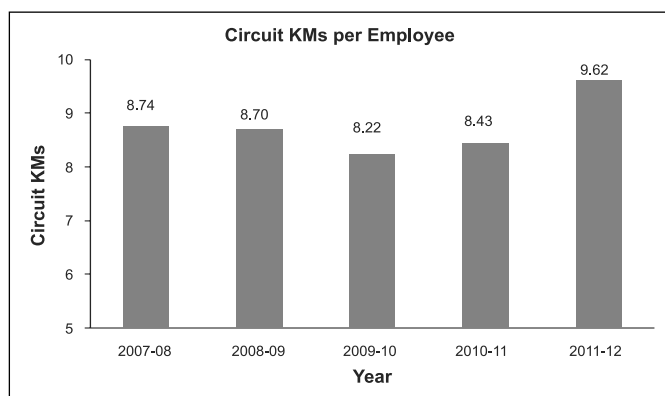
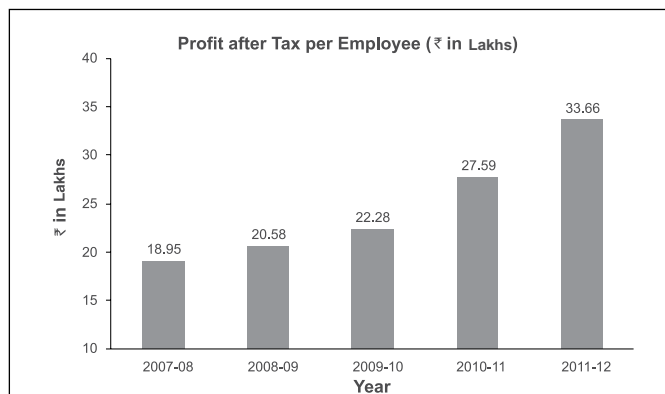
Employee Welfare

Keeping in pace with changing needs and welfare of employees, various policies and rules are being revised/ amended from time to time. Various hospitals adjacent to our establishments have been empanelled both at Corporate Centre as well as in other establishments for benefit of Employees and their dependents. 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 served to employees.

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

The Company has also been organizing Intra & Inter-Regional Sports Competitions for Kabaddi, Cricket, Volleyball, Chess, Badminton etc. and regularly participating in the Inter-PSU Sports Meet. POWERGRID players in Kabaddi, Table tennis and Lawn-Tennis have stood meritorious and bagged awards in the Inter-PSU tournaments. Your Company's team has emerged as National Champions in prestigious National Management Games-2012, organised by All India Management Association and qualified to represent India in Asian Management Games Challenge.

POWERGRID National & Regional Bipartite Committees provides a platform for addressing issues related to workmen. During the year, the Industrial Relations have been maintained cordial and no manday was lost.



Citizen's Charter

The Company formulated its Citizen's Charter providing a visible front of its mission & objectives, commitments, terms of service and its obligation to various stakeholders. In the Citizen's Charter information is available about Company's schemes, policies, project plans of the Corporation and issues of general interest to stakeholders.

Implementation of Official Language

Your Company has proven its commitment for implementation of Rajbhasha Policy of Govt. of India and is sensitive towards our heritage, social and cultural concerns.

All out efforts have been made to ensure use of Hindi in all aspects of management at all levels in the Corporation. For increased use of Official language, various activities were undertaken such as organizing workshops to impart training in translation, enhancing working knowledge through organizing computer trainings and Hindi classes, etc.. Akhil Bhartiya Rajbhasha Sammelan, Kavi Sammelan (poetry sessions), Kavita Pratiyogita, Drama, Publication of Hindi Magazines/ papers, competitions and meetings, etc. are regularly organized. To provide further inspiration to work in Hindi, employees are nominated for external Hindi training programmes. The efforts made in implementation of Rajbhasha have been applauded in many forums and the Company has received many accolades.

Corporate Image through Communication Management

Building Communication Capital is as important as Human Capital to build relation between organisation and its stakeholders. Your Company has adopted a number of communication interventions to present itself as an infrastructure major contributing to nation building.

In order to facilitate dissemination of information and interaction with all stakeholders with regard to our achievements, growth, recent developments on operational and financial front besides updation of website, regular press communiqué have been issued by your Company and face to face interaction of the management arranged with the analysts and stakeholders at the Quarterly Analyst Meet and Press Meet. This has enhanced brand exposure with existing and potential clients, investors and other stakeholders. Information and latest updates & announcements regarding the Company are posted on Company's website including Financial results, approval to projects granted by the Board etc..

Your Company successfully participated in the India International Trade Fair (IITF) 2011 exhibition by creating a theme stall based on 1200kV UHVAC transmission line. The Company also participated in other business oriented regional exhibitions in Jharkhand, Mumbai and other places to reach out to local clients and the common masses.

Internal communications play a key role in enabling employees across the Company in understanding and embracing the Company's mission, goals and strategies. Towards this objective, your Company has continuously deployed communication tools such as monthly newsletters, CMD's communique, house journals, wall magazines, lounge and regular media updates to apprise the employees of the developments, achievements & events, viewpoints of the management and also provide a platform to employees to participate and take pride in being associated with POWERGRID. "Open house" sessions are also regularly organised where CMD and Directors of your Company interact with all the employees, either directly or through video conferencing.

EXHIBITION AND CONFERENCE ON NEW TECHNOLOGIES - GRIDTECH 2011

With the support of Ministry of Power, Govt. of India, GRIDTECH 2011, an International exhibition and conference on new technologies in transmission & distribution and synergic areas like load despatch, telecommunications, application software etc. was organised. GRIDTECH 2011 provided a unique opportunity for the power utilities, manufacturers, research institutions, policy makers, academicians, consultants etc. to gain exposure to state-of-the-art products and technologies like 1200kV UHVAC, 800kV HVDC, FACTS, GIS, Superconductors, Smart Grid, substation automation, compact lines, power system protection system, modern distribution management, renewable energy sources, integrated communication system etc..

RENEWED COMMITMENT TO TRANSPARENCY & VIGILANCE FUNCTION

Several initiatives have been taken to strengthen internal systems to enhance efficiency and effectiveness of the Vigilance function. The Vigilance Department lays emphasis in the awareness process. In line with this, training has been imparted on ethics and vigilance matters through various preventive vigilance workshops. Apart from these, vigilance executives were also sent on training to various organizations like Central Bureau of Investigation (CBI) and the National Institute of Criminology and Forensic Science, besides participating in training programmes organized for capacity enrichment of the vigilance executives. The Vigilance Executives at the regions also undertook regular knowledge enhancement sessions while on tour or inspections, which gave a feedback on the practical issues being faced by personnel at the execution level. Besides these, Vigilance Audit of some of the Departments has also been conducted, which is aimed at examining the primary objectives of a Unit/ Department and impact assessment in terms of achievement of these primary objectives. It brings out the extent of risk, irregularities, mistakes & omissions under various provisions of the rules, and also examines whether there are any lacunae in the system/ rules and its application leading to the said defects. On assessment of these, remedial measures have been suggested.

As part of pro-active vigilance, process online inspections have also been conducted in which critical works are inspected at the initial stage of execution by the vigilance executive for shortcomings and for advising corrective measures at the initial time, if any. As a result of Vigilance audit, large number of system improvements were implemented which include standard Field Quality

Plan, safety norms, Project Insurance Policy, maintaining proper storage, construction related records, Qualifying Requirements on procurement, HR Policies etc.. A large number of inspections have been conducted both by Vigilance executives as well as by the CTE's Organisation. Based on these inspections, adequate cost compensation was effected on the points for not conforming to technical specifications etc.. To facilitate report generation & compliance on inspection reports generated through the Vigilance Inspection System (VINS), a system has been devised for furnishing online replies on the internet. On the punitive side, a number of complaints were received and taken up for investigation. Necessary disciplinary action wherever appropriate was also initiated against some employees.

While e-payments, document tracking, uploading of contractual documents, web based complaint handling system has already been implemented in the Organisation from 2007 onwards, lately, e-procurement has been successfully implemented in the Organisation with the signing of Contract Agreement with two leading Application Service Providers (ASP), viz. M/s Telecommunications Consultants India Limited (TCIL) & M/s mjunction services Limited (mjunction). Further, provision of e-Reverse auction has also been included in the agreements.

To spread awareness amongst employees and to prevent violation of the Conduct, Discipline & Appeal (CDA) Rules, bulk SMS on the CDA Rules are being sent to all the employees regularly. Vigilance Department also uploaded CDA Rules Quiz, the Public Interest Disclosure and Protection of Informers (PIDPI) Resolution of CVC, Case studies and closed inspection reports on the intranet website. During the Vigilance Awareness Week from 31st October to 4th November, 2011 the theme of the year "Participative Vigilance" as decided by Central Vigilance Commission was celebrated in befitting manner by administering the pledge to all employees as well as through several competitions and programmes which included painting and debate competitions for the employees, their children and outside schools children. Lectures by eminent personalities on topics related to corruption, ethics and values were organized at different installations of the Corporation. The in-house journal of the Vigilance Department – "Candour" was released during the valedictory function of the Vigilance Awareness Week by the Chief Guest, Shri Anil Kumar Sinha, IPS, Addl. Secretary, Central Vigilance Commission. He also gave away prizes to the prize winners on the occasion.

ACCOLADES & AWARDS

Your Company has been bestowed with numerous awards in various categories by Govt. of India and other prestigious organisations & institutes.

Six projects of POWERGRID bagged the prestigious **National Awards for Meritorious Performance in Power Sector instituted by the Government of India for the year 2009-10 & 2010-11**. POWERGRID received three Gold Shields and two Silver Shields for Transmission System Availability and one Silver Shield for Early Completion of Transmission Project.

In recognition of its continued efforts to provide secure & reliable transmission system, POWERGRID was conferred with '**Power Line Awards 2012' in the category "Best Performing Transmission Company"**.

'**Environmental Excellence & Sustainable Development award-2011' by the Indian Chamber of Commerce** and '**4th India Power Awards 2011' under the 'Largest CPU in Transmission Sector' and 'Overall Utility Performance- Transmission' Categories** were conferred on your Company for its outstanding performance.

In Telecom Business, as a testimony of the excellent work being done by your Company, it has been bestowed with "**Excellence in Innovation in Tower Management**" Award by INFOCOM CMAI National Telecom Awards 2011.

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

Company has received 'NIL' comments on the accounts for the year ended 31st March, 2012 by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956. Copy is attached in **Annexure-IV** to this report.

CORPORATE GOVERNANCE

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

Your Company has got its Secretarial Compliance Audit conducted for the financial year ended 31st March, 2012 from M/s Sanjay Grover & Associates, Practising Company Secretaries. Their Report forms part of this Report. (**Annexure-VII**)

STATUTORY AUDITORS OF THE COMPANY

The Statutory Auditors of your Company are appointed by the Comptroller & Auditor General of India. M/s S. K. Mehta & Co., M/s Chatterjee & Co., and M/s Sagar & Associates were appointed as Joint Statutory Auditors for the financial year 2011-12.

COST AUDITORS OF THE COMPANY

POWERGRID had appointed the Cost Auditors Sh. Jugal Kishore Puri, M/s. Chandra Wadhwa & Co, M/s. S. C. Mohanty & Associates and M/s. K. G. Goyal and Associates under Section 233B of the Companies Act, 1956 for the Financial Year 2011-12.

The due date for filing Cost Audit Reports for the financial year 2011-12 with the Cost Audit Branch, Ministry of Company Affairs is September 30, 2012 and the same will be filed with the Cost Audit Branch within the stipulated time.

POWERGRID'S BOARD

During the year, Shri R. N. Nayak who was our Director (Operations) took over the charge of Chairman & Managing Director with effect from 1st September, 2011.

Shri R. T. Agarwal assumed the charge of Director (Finance) with effect from July 29, 2011. Smt. Rita Acharya, Jt. Secy, MoP joined the Board of the company w.e.f. August 26, 2011 in place of Dr. M. Ravi Kanth Jt. Secy. (Trans.), MoP, who ceased to be Director on Board of the company w.e.f. August 16, 2011. Further, Shri Santosh Saraf and Smt. Rita Sinha joined the Board as non-official part time directors w.e.f. December 27, 2011.

Shri S. K. Chaturvedi demitted the office as Chairman & Managing Director on 31st August, 2011 upon attaining superannuation. Shri V. M. Kaul, Director (Personnel) superannuated on March 31, 2012 and ceased to be Director on the Board of POWERGRID. The tenure of – two non-official part-time Directors – Shri Ashok Khanna and Shri S.C. Tripathi came to an end on April 24, 2011; four non-official Part-time Directors – Dr. P. K. Shetty, Prof. A. S. Narag, Shri Anil K. Agarwal and Shri F. A. Vandrevalla came to an end on July 9, 2011 and that of Mrs. Sarita Prasad, non-official part time Director came to an end on August 3, 2011 and they ceased to be Director.

The Board wishes to place on record its deep appreciation and gratitude for the invaluable contribution and unstinted support to the Company extended by these directors.

Shri Ravi P. Singh assumed the Charge of Director (Personnel) with effect from April 1, 2012. Shri R. P. Sasmal has been appointed as Director (Operations) with effect from August 1, 2012.

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, Shri I. S. Jha, Director (Projects), Shri R. T. Agarwal, Director (Finance) and Smt. Rita Acharya, Director shall retire by rotation at the Annual General Meeting of your Company and being eligible, offer themselves for re-appointment.

ACKNOWLEDGEMENTS

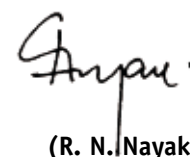
The Board of Directors, with deep sense of appreciation, acknowledges the guidance and co-operation received from Govt. of India, particularly Ministry of Power, Ministry of Finance, Ministry of Home Affairs, Ministry of External Affairs, Ministry of Statistics and Programme Implementation, Ministry of Environment & Forests, Central Electricity Regulatory Commission, Appellate Tribunal for Electricity, Central Electricity Authority, Planning Commission, Department of Public Enterprises, Regional Power Committees, and other concerned Govt. departments/agencies at the Central and State level as well as from Securities and Exchange Board of India, National Stock Exchange of India Ltd., and Bombay Stock Exchange Ltd., Mumbai without whose active support, the achievements by the Corporation during the year under review would not have been possible.

Board's special appreciation and thanks are due to our valued customers, various State power utilities and other clients, who have awarded various consultancy works and reposed faith in Company's capability to handle them. The Board also appreciates the contribution of contractors, vendors and consultants for successful implementation of various projects by the Company.

The Directors take this opportunity to thank the Principal Director of Commercial Audit and Ex-Officio Member Audit Board-III for the cooperation during the year. Directors also acknowledge the valuable suggestions and guidance received from the statutory auditors during the audit of accounts of the Company for the year under review. The Board also conveys its sincere thanks to various national/international financial institutions/ banks/ credit rating agencies for their timely assistance, continued trust and confidence reposed by them on POWERGRID.

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

For and on behalf of the Board of Directors



(R. N. Nayak)

Chairman & Managing Director

Place: New Delhi

Date: 09.08.2012

Management Discussion and Analysis

Economic outlook

The growth of India's Gross Domestic Product (GDP) moderated to 6.5% in FY 2011-12 as compared to 8.4% in both, FY 2009-10 and FY 2010-11. While overall global GDP growth has remained tepid, some of the reasons for the slowdown in India were due to weak industrial growth and overall deceleration in investments. The services sector, however, continued to be the key growth driver in the Indian economy, contributing close to 60% to the GDP. Inflationary pressures continued to be a concern for the economy. Despite a slowdown in growth over FY 2011-12, India remains among the front-runners.

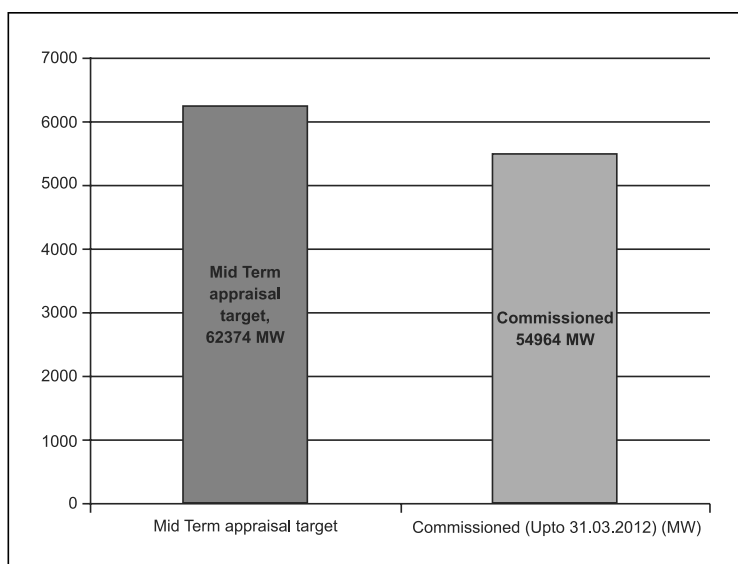
Power Sector is at a crucial juncture of its evolution from a controlled environment to a competitive, market driven regime which endeavors to provide affordable, reliable and quality power at reasonable prices to all sectors of the economy. The pace of growth in industrial and commercial activities coupled with penetration of technology and I.T. in the day-to-day life of the common man, is expected to result in a high growth in power demand. Therefore, it is essential that Power Sector growth has to commensurate with the overall economic growth of the nation.

Sectoral outlook

The 11th Plan originally envisaged a capacity addition of 78,700 MW. During the mid-term appraisal carried out by the Planning Commission, the capacity addition target for the 11th Plan was revised to 62,374 MW. The details of capacity commissioned during the 11th Plan are given as under:

| Type | Mid Term appraisal target | Commissioned Upto 31.03.2012) (MW) |
|--------------|---------------------------|------------------------------------|
| Hydro | 8237 | 5544 |
| Thermal | 50757 | 48540 |
| Nuclear | 3380 | 880 |
| Total | 62374 | 54964 |

Source: Ministry of Power

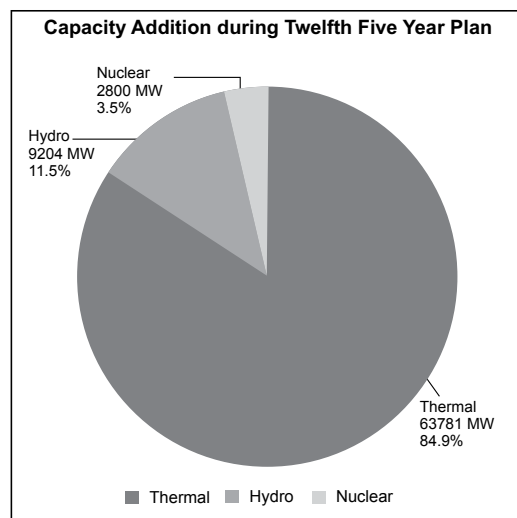


Capacity Addition during Twelfth Five Year Plan (2012-17):

The Working Group on Power constituted by the Planning Commission to formulate the 12th Five Year Plan for the Power sector has submitted its report to the Planning Commission. As per the report of this Working Group, capacity addition requirement during the XII Plan is 75,785 MW. The source-wise break up of XII Plan capacity addition program is given as under

In MW

| | Hydro | Thermal | Nuclear | Total |
|---------|-------|---------|---------|-------|
| Central | 5632 | 11426 | 2800 | 19858 |
| State | 1456 | 12340 | 0 | 13796 |
| Private | 2116 | 40015 | 0 | 42131 |
| Total | 9204 | 63781 | 2800 | 75785 |

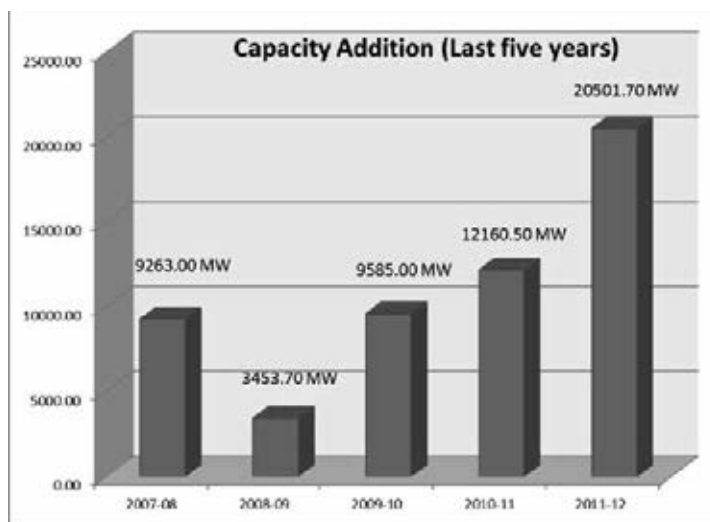


Year wise Capacity Addition (Last five years)

The year wise capacity added during the 11th Plan¹ is as under:

(MW)

| Year | Central | State | Private | Total |
|--------------|---------|---------|----------|-----------------|
| 2007-08 | 3240.00 | 5273.00 | 750.00 | 9263.00 |
| 2008-09 | 750.00 | 1821.20 | 882.50 | 3453.70 |
| 2009-10 | 2180.00 | 3118.00 | 4287.00 | 9585.00 |
| 2010-11 | 4280.00 | 2979.00 | 5121.50 | 12160.50 |
| 2011-12 | 4770.00 | 3761.20 | 11970.50 | 20501.70 |
| Total | | | | 54963.90 |



The Installed Generation Capacity² as on 31.03.2012 is as under:

| All India | Thermal | | | | Nuclear | Hydro (Renewable) | RES @ (MNRE) | Grand Total |
|-----------|-----------|----------|---------|-----------|---------|-------------------|--------------|-------------|
| | Coal | Gas | Diesel | Total | | | | |
| MW | 112022.38 | 18381.05 | 1199.75 | 131603.18 | 4780.00 | 38990.40 | 24503.45 | 199877.03 |
| %age | 56.0 | 9.2 | 0.6 | 65.8 | 2.4 | 19.5 | 12.3 | 100.00 |

@ based on data as on 31.03.2012.

Electricity Generation Target and Achievement² (2011-12)

| | Hydro | Thermal | Nuclear | Bhutan (Imp) | Total |
|------------------------------------|----------|-----------|----------|--------------|-----------|
| Target (MU) | 112050 | 712234 | 25130 | 5586 | 855000 |
| Achievement up to March, 2012 (MU) | 130511.5 | 708805.94 | 32286.56 | 5284.51 | 876888.48 |
| %age | 116.48 | 99.52 | 128.48 | 94.60 | 102.56 |

Electricity Generation Target/Achievement² for the year 2012-13 is as under:

| | Hydro | Thermal | Nuclear | Bhutan (Imp) | Total |
|-----------------------------------|----------|-----------|----------|--------------|-----------|
| Target (MU) | 122045 | 767275 | 35200 | 5480 | 930000 |
| Achievement up to July, 2012 (MU) | 41365.34 | 253179.47 | 11121.31 | 1866.65 | 307532.77 |
| %age | 33.89 | 33.00 | 31.59 | 34.06 | 33.07 |

Growth of Transmission Sector² as on 31.03.2012 is as under:

| | Central Sector | State Sector | JV/Pvt. | Total |
|--|----------------|--------------|---------|--------|
| Transmission Lines (ckm.) | | | | |
| 765kV | 5319 | 411 | - | 5730 |
| 400kV | 75889 | 31873 | 5605 | 113367 |
| 220kV | 10387 | 128947 | 830 | 140164 |
| ±500kV HVDC Lines (ckm) | 5948 | 1504 | 1980 | 9432 |
| Sub Station: (MVA) | | | | |
| 765kV | 24000 | 1000 | - | 25000 |
| 400kV | 77225 | 73172 | 630 | 151027 |
| 220kV | 6436 | 215771 | 1567 | 223774 |
| ±500kV HVDC Converter/BTB Stn. Converter Terminal (MW) | 9500 | 1700 | 0 | 11200 |

The All India Village Electrification as on 31.03.2012 is (Nos.) 556633 as against 537947 as on 31.03.2011.

Power supply position² 2012-13 (March, 12)*

| Region | Energy (MU) Requirement | Deficit % | Peak Demand (MW) | Deficit % |
|------------------|-------------------------|--------------|------------------|--------------|
| Northern | 22,458 | -5.6 | 35,159 | -9.4 |
| Western | 24,923 | -9.1 | 40,773 | -10.5 |
| Southern | 25,766 | -16.9 | 38,121 | -15.6 |
| Eastern | 9,242 | -5.2 | 14,338 | -4.8 |
| North Eastern | 858 | -10.1 | 1,859 | -12.6 |
| All India | 83,247 | -10.2 | 130,250 | -11.1 |

* Provisional

POWERGRID - A 'Navratna Public Sector Enterprise' and 'Central Transmission Utility' of the Country

POWERGRID is a 'Navratna' PSE since May, 2008, and this status provides POWERGRID the autonomy to undertake new transmission projects of any amount with the approval of its Board of Directors. POWERGRID is the declared "Central Transmission Utility" of the Country since 1998.

Growth in Transmission Network:

POWERGRID has, till **31st March, 2012:**

- Established Transmission Network of **92981** Circuit kms. of Extra High Voltage Transmission Lines, **150** nos. of EHVAC & HVDC sub-stations. **with a total transformation capacity of 124525 MVA.**
- Inter-regional power transfer capacity of about **28,000 MW.**
- Maintained the transmission system availability at **99.94%** at par with the International utilities.
- Carries about **50%** of Generated Power Across Country.

POWERGRID's commitment towards furtherance of National Grid

During the year, the Company has added transmission network of **10,600 Circuit Kms.** and **15 EHV AC Sub-stations** and transformation capacity of **more than 31000 MVA.** The target and achievement of POWERGRID in project implementation during the **year 2011-12** have been as under:

| Works | Target to achieve (Excellent rating as per MOU) | Achievement | Percentage |
|--|--|-------------|-------------|
| Foundation (Nos.) | 15000 | 15448 | 103% |
| Tower Erection (Nos.) | 14500 | 14502 | 100% |
| Stringing (in cKms.) | 9500 | 8610 | *91% |
| Transmission Lines ready for commissioning (in GW cKms.) | 6450 | 7927 | 123% |
| Transformation Capacity addition (MVA)/ready for commissioning | 18000 | 30115 | 167% |
| Inter-regional power transmission capacity (MW) addition/ready for commissioning | 4200 | 5600 | 133% |

* Shortfall on account of RoW problem/delay in forest clearance.

The company has undertaken development of certain transmission lines with private parties, in public-private Joint Ventures. The detail in this regard has been provided later in the discussion. The commercial and operational performance and project implementation are enumerated in the Directors' Report.

Resolving Construction and Operational Challenges:

Implementation of ISTS entails multi dimensional challenges relating mainly to accessibility, construction, feasibility, technical restrictions, conservation of environment and Right of Way (RoW), etc. Apart from using modern techniques for route alignment and optimization of line length of transmission lines to optimize the eco-sensitive RoW, POWERGRID has been taking various measures to resolve constraints. Some of the measures taken during F.Y. 2011-12, inter-alia, include following:

a) High Capacity Ultra High Voltage Transmission System

In order to optimize the eco-sensitive RoW and to cater to the need of bulk Power Transfer to distantly located Load Centres, POWERGRID is focusing it's attention towards development of high Power Intensity (MW/m of RoW) Transmission Corridor. POWERGRID has adopted higher voltage levels like 765kV AC, ± 500 kV HVDC, ± 800 kV HVDC and 1200kV AC in its transmission systems for bulk power transfer across within various regions which result in lower losses in the system.

b) Innovative designs in Transmission line Towers

In areas where there are serious RoW constraints for laying a number of 400kV transmission lines, multi-circuit towers are being used so that two numbers double circuit lines (i.e. four circuits) can run on a single tower. These types of towers are also being used where transmission lines enter into urban/densely populated/forest areas for connecting sub-station(s) to effectively overcome severe RoW problem.

c) Use of technologically advanced Conductors' configuration

POWERGRID is reconductoring one of its existing 400 kV D/C Line from 'Twin-Moose Conductor' to 'High Temperature Low Sag Conductor' (HTLS), which shall enhance the power intensity of transmission corridor in comparison with conventional twin ACSR conductor line. This conductor is also being used in a few other new 400 kV lines. By using these conductors, conventional 400kV twin conductor D/c towers can be used for the same power transfer capacity of a 400kV Quad conductor D/c line, thus optimizing on tower weight.

d) Optimal use of Land

To mitigate scantiness of land, particularly in suburbs of cities thickly populated areas, POWERGRID has established State-of-the-Art Gas Insulated Substations (GIS), which requires less space (about 60% reduction) as compared to conventional sub-stations. To minimize the use of scarce land particularly in urban/suburbs/fertile areas, POWERGRID is now mostly implementing 400kV and 765 kV GIS Sub-stations. To increase the reliability of GIS Sub-stations, one and half Breaker Schemes are being implemented in GIS Sub-stations.

e) Providing training to enhance availability of skilled manpower for construction

Under capacity Building Initiative, POWERGRID trained 213 unemployed youths in Power Transmission Line Erection and Power Transmission Line Stringing jobs with the help of transmission line construction contractors. Director General of Employment & Training (DGET), Ministry of Labour & Employment has accorded accreditation to these courses under Modular Employable Skill (MES). The trainees are assessed and provided certificate by National Council for Vocational Training (NCVT) on successful completion. Cumulatively 270 persons have been trained under this initiative for enhancing the availability of skilled manpower for construction jobs in the field of transmission and improving the employability.

f) Enhancing Operational efficiency

- (i) Pollution mapping in Northern Region is being conducted for corrective measures to minimize the probability of occurrence of flashover in lines passing through pollution affected areas. Pollution measurements started at more than 150 locations of POWERGRID and 108 locations of State Transmission Utilities (STUs) in Northern Region. Replacements of conventional porcelain insulators with polymer insulators in polluted stretches have significantly reduced pollution related tripping/transient fault in Northern Grid during foggy weathers.
- (ii) (a) In North-Eastern Region, root cause analysis of tripping events of transmission lines was carried out and time-bound preventive & corrective actions were initiated viz. vegetation management along the RoW; punctured insulator detection (PID) scanning on transmission lines having history of insulator decapping; replacement of defective insulator strings identified through PID scanning, strengthening of earthing of towers, strengthening of Jumpers in Highly loaded lines, etc. Further, mean-time to restoration could be reduced with proper planning and mobilization/utilization of resources.
- (b) North Eastern Region is highly prone to lightning activities. Probability of failures of insulators is more where lightning intensity levels are high and tower footing resistance values are also high. Significant numbers of trippings in transmission lines are attributed to transient faults. Lightning detection system at four substations namely, Dimapur, Aizwal, Salakati and Shillong have been installed to detect lightning activities as well as intensity of lightning in the transmission lines or in the vicinity of lines. Lightning Mapping Systems will be helpful in gathering actual Lightning data for future design of transmission system e.g. lightning protection system thereby helping improved performance of transmission lines in these areas.
- (iii) POWERGRID is setting up ± 800 kV, 3000 MW Champa-Kurukshetra HVDC Transmission System involving setting up of ± 800 kV HVDC Terminal Stations at Champa and Kurukshetra for transferring power to Northern region from generation projects coming up in Chhattisgarh. The Salient feature of the project is the incorporation of metallic return conductor instead of earth electrode station for first time in the Country. Apart from eliminating the element of uncertainty about the soil resistivity of the electrode station, the usage of third conductor as a return path will result in conservation of land required for conventional electrode station. It will also increase the Reliability and Availability of HVDC transmission scheme.
- (iv) POWERGRID has signed MoU with premier Educational Institute like IIT, Delhi for third party certification of O&M personnel through training & evaluation. Some executives have been certified for maintenance of transformers and Reactors, switchgears and On-load Tap Changers.
- (v) POWERGRID joined "International Transmission, Operation and Maintenance Study" (ITOMS) for benchmarking of its O&M activities with about 30 others Power Transmission Utilities across the Globe. POWERGRID also carried out benchmarking of all its 9 Regions with each other and also with other member Utilities of ITOMS to identify areas of improvement. In many areas, performance of POWERGRID is comparable with the best performing Utilities and weak areas have been identified for improvement.

g) Maintaining pace of development vis-à-vis Environment Protection

POWERGRID has constantly strived to be a responsible corporate citizen by utilizing technological resources to optimize route alignment for the transmission corridor with a specific emphasis on avoidance of Forest, National Parks/Wildlife Sanctuaries and other ecologically sensitive and biologically diverse areas. Some of the initiatives taken by POWERGRID towards conservation of forest, land, water, etc. are mentioned here under:

- (i) During the construction of 400 KV Barnala-Amritsar line, optimal route alignment was ensured by diverting the line to avoid the Nagru wildlife Sanctuary in Himachal Pradesh. Likewise Sariska Tiger Reserve was avoided in 400 kV D/C Agra-Sikar line.
- (ii) During the construction of the 765 KV S/C Vindhyachal-Satna line, which is passing through forest land in Madhya Pradesh, two 765 Kv S/C line were converted into one 765 KV D/C line (of the portion passing through the forest area) which resulted in saving of approximately 170 hectares of forest land and thousands of trees.
- (iii) POWERGRID believes in giving back to the society through Community Development programs like providing basic infrastructural facilities to the villages around our substations. ₹ 5.78 crore were spent on community development works. ₹ 9.49 crore has been given as Rehabilitation Assistance to the PAPs/PAFs.

h) Communication Network strengthening

As per the directive of Department of Telecommunication (DoT) with regard to allocation of Microwave Frequencies to Broadband Wireless Access Services, POWERGRID released 2.3-2.5 GHz frequency band used for ULDC Project. In order to make grid operation more effective and provide operators with advance technology such as Wide Area measurement System (WAMS) communication system needs upgradation. To overcome constraints being faced in grid operation in absence of wide band communication system, POWERGRID has taken up installation of Fiber Optic Network at large scale. POWERGRID is in process of connecting all 400 kV substations and power plants through installation of OPGW across the Country. The network is under various stages of implementation throughout the Country. The OPGW shall meet the communication requirements of National Load Despatch Center (NLDC), Regional Load Despatch Centers (RLDCs), State Load Despatch Centers (SLDCs), National Transmission Asset Management Centre (NTAMC), and Unified Real-time Dynamic State Measurements URTDSM Project as well as remote operation of the system.

i) Adequate coverage for Assets and Loss of Profit:

POWERGRID has procured Mega Risk Policy from external Insurance agency(ies). This policy, inter-alia, covers sub-station equipments in complete switchyard area along with control room building for all sub-stations (AC & HVDC) for material losses due to machinery breakdown, earthquake, terrorism with business interruption, Loss due to Fire and Machinery Damage etc. Earlier, the Insurance policy from external agency was covering only HVDC Bi-pole & back to back Stations, 765 kV AC Substations, TCSC, FSC, SVC, GIS etc. while other assets of 400kV and below AC sub-stations were covered under the Self Insurance Scheme which covered only fire and allied perils and not machinery breakdown. Transmission lines continue to be covered under Self-insurance Scheme.

j) Risk Management Procedure

The 'Enterprise Risk Management Framework' (ERM framework) has been implemented in POWERGRID. Key Performance Indicators (KPIs) of all the risk are assimilated and consolidated reports prepared and put up to the Audit Committee/Board.

Some of the risks involved in execution of our projects and their mitigation generally are:

- a) **Synchronization Risk with Generation Projects:-** There could be a gap in the commissioning of generation units with the transmission system and there might be delays in the materialisation of some of the generation projects. To mitigate such risk, Bulk Power Transmission Agreement (BPTA) is being signed by POWERGRID with IPPs as per which IPPs are under obligation to share and bear the transmission charges as approved by CERC from the effective date of LTA. Subsequently, when the beneficiaries are firmed up, applicable transmission charges are to be payable by the concerned beneficiaries.
- b) **RoW & Forest Clearance Risk:-** Our Projects may get affected in case there is any delay in obtaining Forest Clearance from Ministry of Environment & Forest (MoEF) under Forest (Conservation) Act, 1980 for the transmission line passing through forest area. MoEF guidelines require written consent of concerned Gram Sabha under Forest Rights Act, 2006 for all proposals for diversion of forest land. Apart from the legislative framework, social issues like ROW may cause delays in the commissioning of projects. POWERGRID has taken a number of internal & external measures to expedite forest clearance. However, considering experience of POWERGRID in dealing with the Forest clearance, POWERGRID envisage overall risk to be moderate. Further, the transmission projects are out of the purview of Environment (Protection) Act, 1986 except some notified areas.
- c) **Revenue Risk:-** The Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010 were notified on 15th June, 2010 and came into effect from 1.7.2011. Regulation provided for computation of Point of Connection (PoC) charges and losses which is the new methodology for sharing of our transmission charges. Certain States viz. Bihar, Odisha, West-Bengal, Jharkhand and Maharashtra have challenged the new sharing methodology implemented by CERC i.e. Point of Connection methodology in the court of law. Although, Company's revenue remain unaffected due to the Sharing Mechanism being revenue neutral but the collection efficiency to some extent might take a temporary hit till the cases are settled by Court. However, the State of Maharashtra is continuing to pay the transmission charges as per this PoC methodology in terms of interim order of the Delhi High Court. Other constituents, mentioned above are paying as per the old mechanism.

CERC Tariff regulations allow payment of monthly bills towards transmission within a period of 60 days from the date of bills. There is provision for rebate in case of payment before 60 days. During the F.Y. 2011-12, most of the states were availing 60

days allowable period for clearing their dues. However, some of the states viz. Delhi, Rajasthan , Eastern states (as a fallout of Court case), certain NER States continued to default in making full payment. Appropriate actions for realisation of dues are being taken by the Company.

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.

Internal Control

POWERGRID has a comprehensive Internal control mechanism to verify the Accounting and Financial Management System, adequacy of controls, material checks, financial propriety aspects and compliance implementation mechanism. The Internal Audit Manual, updated in consultation with M/s Deloitte Haskins & Sells is being implemented progressively. Audit Plan in respect of Internal Audit and Physical Verification for the Financial Year 2011-12 has been finalized in-house by Audit Department and experienced firms of Chartered Accountants.

As on 31st March, 2012, the Company had an Audit Committee in place as per clause 49 of the Listing Agreement, which had two independent Directors and one Non-Executive Director.

Financial Discussion and Analysis

Comparison of Fiscal 2012 to Fiscal 2011

Your company's total income in Fiscal 2012 was ₹ 10785.01 crore, which represented an increase of 18.53% over the total income of ₹ 9098.75 crore in Fiscal 2011. In Fiscal 2012, transmission and transmission-related activities constituted 88.49% of our total income, with the balance coming from our consultancy, telecommunication business and other incomes.

Income

Revenue from Operations

(₹ in crore)

| Revenue from Operations | Fiscal 2012 | Fiscal 2011 |
|------------------------------------|-----------------|----------------|
| Revenue from transmission charges* | 9544.19 | 7902.15 |
| Consultancy fees | 289.95 | 299.35 |
| Revenue from telecom | 201.19 | 187.20 |
| Total | 10035.33 | 8388.70 |

*Includes Short Term Open Access charges of ₹ 325.48 Crore for Fiscal 2012 and ₹ 211.51 Crore for Fiscal 2011.

The revenue was higher in Fiscal 2012 as compared to Fiscal 2011 mainly on account of commissioning of transmission assets of about ₹ 14,021 crore during Fiscal 2012 and full year impact of assets worth ₹ 7313 crore commissioned during Fiscal 2011. The projects commissioned in Fiscal 2012 have generated revenue from the date of commercial operation during the year. In terms of CERC tariff regulations, the Company determined Deferred Tax Liability (Net) materialized for the period upto 31.03.2009 by identifying the major changes in the elements of Deferred Tax liability/Asset as recoverable from the beneficiaries and accordingly a sum of ₹ 465.55 crore had been recognized as sales during the year.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Tariff norms

Our charges for transmission customers are governed by tariff norms determined by the Central Electricity Regulatory Commission (“CERC”) pursuant to Central Government Tariff policy and legislation. As per the Tariff Policy issued by GoI on 6th January, 2006, Central Electricity Regulatory Commission (CERC) shall be guided by the Tariff Policy while specifying the terms and conditions for the determination of tariff. The CERC has vide its notification dated 19th January, 2009 notified the tariff regulations applicable for the tariff Block 2009-14. Under the tariff regulations applicable for the tariff Block 2009-14, we are permitted to charge our customers transmission charges for recovery of annual fixed cost (“AFC”) consisting of components - return on equity, interest on outstanding debt, depreciation, operation & maintenance expenditure and interest on working capital.

The Return on equity is computed on pre-tax basis by grossing up the base rate of return on equity of 15.5% at the tax rate applicable to the Company. In case of projects commissioned on or after 1st April, 2009, an additional return on Equity of 0.5% will be allowed if such projects are completed within the timeline specified under the CERC tariff regulations for the Block 2009-14.

The repayment of loan capital for the year of the tariff period 2009-14 is deemed to be equal to the depreciation allowed for that year. Despite any moratorium period availed by your company, the repayment of loan is considered for tariff from the first year of commercial operation of the project and shall be equal to the annual depreciation allowed.

For interest on working capital, the working capital amount is calculated as - (i) consisting of receivables equivalent to two months of fixed cost; (ii) maintenance spares @ 15% of operation and maintenance expenses; and (iii) operation and maintenance expenses for one month. Rate of interest on working capital for the year is on normative basis and is equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2009 or on 1st April of the year in which the transmission system, is declared under commercial operation, whose date of commercial operation falls on or before 30.06.2010; and SBI Base rate plus 350 basis points as on 01.07.2010 or on 1st April of the year in which the transmission system, is declared under commercial operation, whichever is later whose date of commercial operation falls between the period 01.07.2010 to 31.07.2014;

Under the tariff norms prescribed by CERC for the tariff Block 2009-2014, recovery of transmission charge and incentive is permitted to your Company on the achievement of the operational norms as under, an incentive also if the availability of our transmission network is above 98% in respect of alternating current systems, above 95% in respect of HVDC back-to-back Stations systems and above 92% in respect of HVDC bi-pole links and penalized if the availability of our network is below 98%, 95% or 92%, respectively. The Availability Incentives are linked with monthly transmission charges.

The tariff norms prescribed by CERC for the tariff Block 2009-2014 prescribe that the Transmission charges corresponding to any plant capacity for which a beneficiary has not been identified and contracted shall be paid by the concerned generating company.

Foreign Exchange Rate Variation:

Your Company under the tariff regulations for the block 2009-14 has an option to hedge foreign exchange exposure in respect of the interest on foreign currency loan and repayment of foreign loan acquired for the transmission system, in part or full and recover the cost of hedging of foreign exchange rate variation corresponding to the normative foreign debt, in the relevant year.

If hedging of the foreign exchange exposure is not undertaken, the extra rupee liability towards interest payment and loan repayment corresponding to the normative foreign currency loan in the relevant year is permissible provided it is not attributable to the generating company or the transmission licensee or its suppliers or contractors. During the financial year 2011-12, no hedging for foreign exchange exposure has been undertaken by your Company.

During the year, CERC has on 2nd May 2011 notified and made effective from that date, the first amendment to Terms & Conditions of Tariff Regulations 2009-14, wherein the Commission may consider in its discretion to grant provisional tariff upto 95% of the annual fixed cost of the project claimed in the application, subject to adjustment of transmission charge after the final order has been issued.

CERC has issued terms and conditions of Tariff (Second amendment) Regulations, 2011 on 21.06.2011 through which inter alia, grossing up of Income Tax in the RoE as per the extant rate of MAT in the respective years of current Tariff Block of 2009-14 has been allowed instead of earlier provision of its truing up during the next Tariff Block.

The tariff policy, 2006 inter alia states that the transmission pricing should be sensitive to distance, direction and quantum of power flow. The Regulations on Sharing of Inter-State Transmission Charges & Losses, 2010 notified on 15.06.2010, factors distance & direction sensitivity in transmission charges and losses besides quantum of power flow, in line with the Tariff policy. The regulations came into force from 01.07.2011.

As per these regulations, POWERGRID, as CTU, has been mandated to perform the activity of Billing, Collection and Disbursement (BCD) on behalf of all the ISTS licensees and also certain non-ISTS licensees whose lines have been certified by RPCs to be used as ISTS.

In this regard, TSA (Transmission Service Agreement), RSA (Revenue Service agreement) and BCD (Billing, Collection and Disbursement) procedures have been approved by CERC on 29.04.2011. The signing of TSA/RSA with the DICs on all India basis has been completed. With the implementation of these Regulations, method of sharing of Transmission Charges among the beneficiaries has undergone a major change w.e.f. 01.07.2011, although the Yearly Transmission Charges (YTC) of POWERGRID remains the same.

CERC has issued orders for POSOCO portion of ULDC scheme as per CERC (Fees and charges of Regional Load Dispatch Centres and other related matters) Regulations, 2009 for the period 2009-14. The billing is being done by POSOCO for their portion. The billing for POWERGRID portion of ULDC scheme is provisionally being done as per the existing CERC orders for 2004-09 period after giving effect to the reduction in the asset value transferred to POSOCO. However, now CERC has directed that sharing of tariff of the non-POSOCO assets shall be on similar lines as System Operation Charges (SOC) as per CERC (Fees and charges of Regional Load Dispatch Centres and other related matters) Regulations, 2009 for the period 2009-14. POWERGRID has filed the applications to CERC for determination of tariff for 2009-14 period. The CERC orders are awaited.

CERC vide its order dt. 31.05.2010 had earlier granted regulatory approval to the proposal of POWERGRID for nine nos. of High Capacity Power Transmission Corridors. These transmission corridors mainly comprise high technology 765kV AC and ± 800 kV 6000MW HVDC system. CERC vide its order dt. 13.12.2011 had granted regulatory approval for further two High Capacity Power Transmission Corridors for IPP Projects in Vemagiri Area and in Nagapattinam / Cuddalore Area and a few Strengthening / Upgradation schemes.

Your Board has granted investment approvals to substantial number of schemes under the said corridors.

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 fee from 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. The income from Consultancy in the Fiscal 2012 was ₹ 289.95 crore as against ₹ 299.35 crore in the Fiscal 2011, a decrease by 3.14%. Such decrease is on account of reduction in RGGVY & sub-transmission work revenue and reduction in Tower Design and Commonwealth Games Work.

The revenue from our telecommunication business is mainly on account of leasing bandwidth of our fibre-optic lines. The Telecom revenue grew by 7.47% in Fiscal 2012, to ₹ 201.19 Crore from ₹ 187.20 crore in Fiscal 2011.

Other Income

Your company's other income was ₹ 749.68 crore in Fiscal 2012, an increase of 5.58% over the other income of ₹ 710.05 crore in Fiscal 2011.

| (₹ in Crore) | | |
|---|---------------|---------------|
| Other Income | Fiscal 2012 | Fiscal 2011 |
| Dividend –Subsidiary and Others | 54.18 | 74.82 |
| Interest income – bonds and long term advances | 81.76 | 99.30 |
| Interest income – banks | 279.15 | 131.58 |
| Interest income – others | 136.44 | 123.05 |
| Profit on sale of fixed assets | 0.09 | 0.13 |
| Deferred income (transfers from grants in aid) | 26.33 | 20.26 |
| Operational charges in respect of short term open access | - | 12.99 |
| Transfer from insurance reserves on a/c of loss of fixed assets | 0.81 | 2.21 |
| Lease income from State Sector ULDC | 7.89 | 74.02 |
| Surcharge on late payment from customers | 66.93 | 6.07 |
| FERV gain | - | 78.00 |
| Miscellaneous income | 55.31 | 47.40 |
| Provision written back | 40.79 | 40.22 |
| Total Other Income | 749.68 | 710.05 |

The other income increased mainly because there had been increase in interest income from investments in Banks owing to interest earning on the unutilized proceeds of FPO. Increased surcharge had accrued on account of late payment from customers. There is decrease in interest income on tax free bonds on account of repayment of bonds. Dividends from Joint Venture companies decreased during the year because in the Fiscal 2011, one of the JV Companies viz. Powerlinks Transmission Limited paid interim dividend for Fiscal 2011 for the first time in addition to full year dividend for Fiscal 2010. Besides, there is decrease in Lease income from State-sector ULDC.

Expenses

Expenses have been categorized as- (i) Employees' benefits expense, (ii) Finance Costs, (iii) Depreciation and amortization expense, and (iv) Transmission, Administration and Other Expenses.

Your company's total expenditure were ₹ 6168.75 crore in Fiscal 2012, an increase of 17.06% over the total expenditures of ₹ 5269.65 crore in Fiscal 2011. The total expenditures as a percentage of total income were 57.20% in Fiscal 2012 compared to 57.92% in Fiscal 2011.

Employees' benefits expense

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

Your company had 9670 employees on our payroll as of March 31, 2012, compared to 9,775 employees as of March 31, 2011, a decrease by 1.07% mainly due to separation (completion of tenure/resignation) of employees hired on Fixed tenure basis. Employees' remuneration and other benefits increased by 13.02% to ₹ 842.97 Crore in Fiscal 2012 from ₹ 745.89 Crore in Fiscal 2011. The increase is due to an increase in Dearness allowance, superannuation benefits and normal increments as well as higher commissioning of assets.

Finance Cost

Finance cost increased by 19.55% to ₹ 1943.26 crore in Fiscal 2012 from ₹ 1625.44 crore in Fiscal 2011. The increase was mainly due to commissioning of new Transmission Assets worth ₹ 14,021 crore, interest on which were earlier capitalized but now treated as operating expenditure.

These charges include guarantee fee of ₹ 110.45 crore (net of IEDC) payable to the GoI for giving guarantees to the lenders of our foreign currency loans.

Depreciation

Ministry of Corporate Affairs vide General Circular No. 31/2011 dt. 31st May, 2011 clarified that "since the rates of depreciation and methodology notified under Electricity Act, 2003 are inconsistent with the rates given in Schedule XIV of the Act and the former being special Act, the former shall prevail over rates notified under Schedule XIV of the Companies Act by virtue of section 616(c) of the Companies Act." In accordance with the Tariff Policy dt. 06.01.2006 of Govt. of India, CERC, as part of tariff norms applicable for the block 2009-14, has notified specified depreciation rates in first 12 years of operation of transmission assets and thereafter amortization of residual value over the residual life. Accordingly, depreciation on the transmission assets for the year has been provided as per rates and methodology notified under CERC Regulations.

Right of Way (Afforestation expense) were hitherto amortised over the useful life of related assets. During the year company has changed accounting policy in this regard and now these assets are being amortised following the rates and methodology notified by CERC Tariff Regulation with retrospective effect from 01.04.2009. This has resulted in increase in amortization for the year and prior period amortization of ₹ 7.62 Crore and ₹ 11.40 Crore, respectively.

Your company's depreciation increased by about 16.97% to ₹ 2572.54 crore in Fiscal 2012 from ₹ 2199.39 crore in Fiscal 2011. The increase was mainly because of the commissioning of new transmission assets worth ₹ 14,021 crore and full-year impact in Fiscal 2012 of transmission assets ₹ 7313 crore which were commissioned during Fiscal 2011.

Currently, the technical life of each depreciable asset class as prescribed by CERC is as follows:

- transmission lines – 35 years
- substations – 25 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.

ULDC assets other than assets identified to be transferred to Power System Operation Corporation are depreciated @ 6.67% per annum as determined by CERC for levellised tariff.

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 and rent rates & taxes on our properties.

Transmission, administration and other expenses increased by 15.89% to ₹ 809.98 crore in Fiscal 2012 from ₹ 698.93 crore in Fiscal 2011. The increase is on account of the capitalization of transmission assets worth ₹ 14,021 crore in Fiscal 2012 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.

Profit before Tax

Your company's profit before tax in Fiscal 2012 was ₹ 4597.60 crore, an increase of 20.21% over our profit before tax of ₹ 3824.73 crore in Fiscal 2011.

Provision for Tax

In Fiscal 2012, we provided for ₹ 888.51 crore of Minimum Alternate Tax, compared to ₹ 684.61 crore in Fiscal 2011. The increase was primarily due to increase in Profit before tax in Fiscal 2012.

Provision for deferred tax is made in respect of temporary differences mainly on account of higher depreciation rates available under income tax provisions.

Profit after Tax

Your company's Profit after Tax in Fiscal 2012 was ₹ 3254.95 crore, an increase of 20.69 % over our Profit after Tax of ₹ 2696.89 crore in Fiscal 2011.

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, 2012, your company had cash and cash equivalents of ₹ 2336.88 crore. As at March 31, 2012, we also had unutilized Bank Guarantees limits of approximately ₹ 199.85 crore for capital requirements and committed and undrawn cash credit facilities of approximately ₹ 300 crore ("cash credit") towards our working capital facilities.

Cash Flows

| (₹ in crore) | | |
|--|----------------------|------------|
| | Year ended March 31, | |
| | 2012 | 2011 |
| Net cash from operating activities | 6402.53 | 5564.99 |
| Net cash (used in) investment activities | (15834.33) | (13128.33) |
| Net cash from Financing activities | 8088.62 | 7965.76 |
| Cash and cash equivalents at the end of the year | 2336.88 | 3680.06 |

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 ₹ 6402.53 crore in Fiscal 2012 as against ₹ 5564.99 crore in Fiscal 2011.

Net Cash (Used in) Investment Activities

Your company's net cash used in investing activities was ₹ 15834.33 crore in Fiscal 2012 as against ₹ 13128.33 crore in Fiscal 2011. This mainly reflected expenditures on fixed assets and capital work-in-progress as well as construction stores of ₹ 16387.84 crore and receipt of interest and dividend income of ₹ 143.73 crore.

Net Cash from Financing Activities

In Fiscal 2012, your company's net cash flow from financing activities was ₹ 8088.62 crore as against ₹ 7965.76 crore in Fiscal 2011. Your company raised ₹ 14363.05 crore of new borrowings. These borrowings included principally Rupee denominated bonds and foreign currency borrowings. The company repaid ₹ 3666.93 crore of borrowings and paid interest and finance charges of ₹ 1504.94 crore. In the Fiscal 2012, we paid dividends of ₹ 949.11 crore comprising final dividend for Fiscal 2011 and an interim dividend for Fiscal 2012. The dividend for the financial year 2011-12 (including proposed final dividend @13.10%) is ₹ 976.89 crore. The dividend payout (excluding dividend tax) works to 30% of PAT.

Capital Expenditures

Your company's capital expenditure are primarily for the installation of new transmission capacity and the expansion of existing capacity. Our capital expenditure in Fiscal 2012 and Fiscal 2011, were ₹ 17,814 crore and ₹ 12,005 crore, respectively. Capital expenditure budget for Fiscal 2013 has been approved for ₹ 20,000 crore. 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 were generally permitted in Fiscal 2012 on transmission assets under our tariffs has been 15.5%. Our actual Return on Equity from period to period across our entire business is 13.86% as against 12.63% in Fiscal 2011, an increase of 9.7%. The return on equity of 13.86% is mainly due to: (i) locking of equity funds in capital work-in-progress & increase in net worth by raising funds through FPO which will yield return after gestation period, and (ii) the SEB bonds, that we hold under the One Time Settlement, earn a maximum tax free return of 8.5% per annum.

Selected Balance Sheet Items

Fixed Assets

Your company's total fixed assets (Net Block of Fixed Assets and Capital work in progress) were ₹ 63,235.80 crore and ₹ 50,187.66 crore as at March 31, 2012 and March 31, 2011, respectively. FERV loss, which was hitherto charged to Profit & Loss Account, has been adjusted in cost of related Fixed Assets/Capital work-in-progress. Fixed assets have been categorized as – (i) Tangible Assets; (ii) Intangible assets; (iii) Capital work in progress; and (iv) Intangible assets under development.

(i) Tangible Assets

Our Tangible 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. Tangible Assets value (Net Block)

increased from ₹ 36,970.29 crore in Fiscal 2011 to ₹ 47,339.78 crore in Fiscal 2012, an increase by 28.04%. These increases are mainly due to the commissioning of new transmission assets.

(ii) Intangible assets

Our Intangible Assets consist of Electronic Data Processing Software and Right of Way-Afforestation Expenses. The value of unamortized Intangible assets (Net Block) increased from ₹ 253.69 crore in Fiscal 2011 to ₹ 322.52 crore in Fiscal 2012, an increase by 27.13%.

(iii) Capital work in progress

Your company's capital work-in-progress was ₹ 15,499.89 crore and ₹ 12,864.63 crore, as at March 31, 2012 and 2011, respectively, an increase of 20.48%. 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.

(iv) Intangible assets under development

Afforestation Expenses incurred in relation to the implementation of projects (pending capitalization) are shown on the balance sheet as Intangible assets under development. The value of Intangible assets under development was ₹ 73.61 crore and ₹ 99.05, as at March 31, 2012 and 2011, respectively.

Construction stores

Construction stores were ₹ 12,610.04 crore and ₹ 10,749.25 crore as at March 31, 2012 and 2011, respectively. These amounts represent capital expenditure on the new as well as ongoing transmission projects. The increase in these amounts is mainly due to the undertaking of new transmission projects.

Investments

Investments have been classified into current and non-current categories. As at March 31, 2012, the Non-current Investments and Current Investments were ₹ 1101.19 crore and ₹ 183.26 crore as against ₹ 1214.01 crore and ₹ 184.34 crore, respectively as at March 31, 2011. Investments under 'Current' category are those which are realizable or intended to be realizable within 12 months after the reporting date. Your Company's Investments mainly consist of bonds issued by the SEBs as part of the One Time Settlement. We have also invested ₹ 12 crore in equity shares of PTC India Limited; ₹ 229.32 crore in Powerlinks Transmission Limited, the joint venture between us and The Tata Power Company Limited through which the Tala Transmission Project was constructed; ₹ 23.40 crore in Torrent Power Grid Limited; ₹ 75.92 crore in Jaypee Powergrid Limited; ₹ 21.49 crore in Parbati Koldam Transmission Company Limited; ₹ 20.33 crore in Teestavalley Power Transmission Limited; ₹ 92.04 crore in North East Transmission Company Ltd.; ₹ 0.63 crore in Energy Efficiency Services Ltd.; ₹ 2.63 crore in National High Power Test Laboratory Private Ltd; ₹ 30.69 crore in subsidiaries of our Company viz. ₹ 30.64 crore in Power System Operation Corporation Ltd and ₹ 0.05 crore in Nagapattinam Madhugiri Transmission Company Ltd.

Loans and Advances

The loans and advances have been classified into long-term & short-term categories. As at March 31, 2012, the long-term loans & advances and short-term loans & advances were ₹ 5614.76 crore and ₹ 2433.69 crore as against ₹ 3615.33 crore and ₹ 2037.28 crore, respectively as at March 31, 2011. Long-term loans and advances include advances for capital expenditure, 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 and all other loans and include advances which are not expected to be realized within next 12 months from the reporting date or within normal operating cycle whichever is longer. The increase in loans and advances from Fiscal 2011 to Fiscal 2012 was mainly due to increase in advances for capital expenditure necessitated on account of undertaking of new transmission projects.

Inventories

Inventories are valued at lower of the cost, determined on weighted average basis, and net realizable value. The costs of inventories were ₹ 440.31 crore, as at March 31, 2012. 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 2012 as compared with Fiscal 2011, on account of your Company continuing to expand the transmission network and capitalization of new projects.

Trade Receivables

Trade Receivables consist mainly of receivables relating to transmission services, and also receivables from consultancy services and telecom services. Our Trade Receivables as on March 31, 2012 and 2011 were ₹ 2315.37 crore and ₹ 1114.00 crore, respectively. Trade

receivables increased by 107.84% in Fiscal 2012 as compared to Fiscal 2011. The increase from Fiscal 2011 to Fiscal 2012 was mainly due to revenue recognized in Fiscal 2010 & 2011 which was kept under Unbilled revenue, has been billed based on provisional Tariff order issued by 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.

Other Current Assets

Our other current assets as at March 31, 2012 and 2011 respectively, were ₹ 628.11 crore and ₹ 2229.16 crore. Other current assets mainly include interest accrued on investments (Bonds) & term deposits. Besides, it include the Unbilled revenue representing the amount for which the Company is yet to raise bills in view of recognition of revenue as per CERC Tariff norms applicable for 2009-14. Other current assets decreased by 71.82% in Fiscal 2012 as compared to Fiscal 2011 due to decrease in Unbilled amount from ₹ 2048.09 crore (in Fiscal 2011) to ₹ 530.93 crore (in Fiscal 2012).

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

| MOU Parameters | MOU 2011-12 | Actual 2011-12 |
|-------------------------------------|-------------|----------------|
| Gross Sales (₹ crore) | 9350 | 10035 |
| Gross Margin (₹ crore) | 8243 | 9132 |
| Net Profit/Net worth (%)* | 11.77% | 13.78% |
| Gross Margin/Gross Block | 13.76% | 14.41% |
| Gross Profit/Capital Employed (%) | 12.84% | 15.39% |
| PBDIT/Total employment (₹ in lakhs) | 79.14 | 94.44 |
| Added value/Gross Sales (%) | 39.49% | 48.53% |

* For MoU, Grant in Aid of ₹ 139.32 Crore is included in Net Worth.

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 31st March, 2012:

| | (₹ in Crore) | | | | | |
|-------------------------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| | 2012-13 | 2013-14 | 2014-15 | 2015-16 | BEYOND 2015-16 | TOTAL |
| Rupee Loans | | | | | | |
| Bonds | 1540.11 | 1933.72 | 2464.34 | 2791.71 | 26253.75 | 34983.63 |
| Other Domestic Loans | 177.30 | 118.18 | 103.37 | 101.73 | 1000.22 | 1500.80 |
| Foreign Currency Loans | | | | | | |
| US\$ | 700.96 | 818.06 | 973.05 | 977.74 | 10662.98 | 14132.79 |
| EUR | 27.03 | 28.10 | 8.39 | 8.39 | 126.15 | 198.06 |
| SEK | 20.63 | 20.63 | 20.63 | 20.63 | 444.17 | 526.69 |
| CHF | 158.22 | 79.11 | - | - | - | 237.33 |
| JPY | 11.51 | 11.51 | 11.51 | 11.51 | 126.57 | 172.61 |
| TOTAL : | 2635.76 | 3009.31 | 3581.29 | 3911.71 | 38613.84 | 51751.91 |

Long-term borrowings

Your company's long-term borrowings as at March 31, 2012 and 2011 were ₹ 49119.19 crore and ₹ 37215.84 crore, respectively. Long-term borrowings 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 and other Foreign Financial Institutions. Due to the increased investment in new projects during the last year, our borrowings have increased substantially.

Secured Loans

Our secured loans (long term) as at March 31, 2012 and 2011 were ₹ 48,670.50 crore and ₹ 36637.03 crore, respectively. Most of these loans have been secured by floating charges on the movable and immovable properties of the Company. The following table presents

the secured debt as at 31st March, 2012:

| | Amount (₹ in crore) | % of total secured debt |
|---|---------------------|-------------------------|
| Bonds denominated in Rupees | 33443.51 | 68.71 |
| Other Loans and Advances From Banks and Financial Institutions: | | |
| Denominated in Foreign Currency* | 13903.48 | 28.57 |
| Denominated in Rupees | 1323.51 | 2.72 |
| Total | 48670.50 | 100.00 |

*Loans guaranteed by the Government were ₹ 13,161.56 crore.

Unsecured Loans

Our unsecured loans (long term) as at March 31, 2012 and 2011 were ₹ 448.69 crore and ₹ 578.81 crore, respectively. Unsecured loans mainly include loans from foreign financial institutions such as the Natixis (Formerly Credit National) in France, Japan International Cooperation Agency (Formerly Japan Bank for International Co-operation) in Japan, European Investment Bank, Kreditanstalt für Wiederaufbau in Germany and Skandinaviska Enskilda Banken AB(publ) in Sweden.

The following table presents our unsecured debt as at March 31, 2012:

| | Amount (₹ in crore) | % of total unsecured debt |
|---|---------------------|---------------------------|
| Bonds denominated in Rupees | - | - |
| Other Loans and Advances From Banks and Financial Institutions: | | |
| Denominated in Foreign Currency* | 448.69 | 100.00 |
| Denominated in Rupees | - | - |
| Total | 448.69 | 100.00 |

*Loans guaranteed by the Government were ₹ 287.06 crore.

Advance Against Depreciation (AAD)

Advance against depreciation is a component of tariff that we were permitted to charge under CERC regulations for the Block 2004-09, to cover shortfall in respect of depreciation in a year on assets, for repayment of debts. AAD has been done away with in the tariff block 2009-2014 and depreciation rate have been reworked. Due to change in these tariff norms and the depreciation rates w.e.f. 1.04.2010, the outstanding AAD has been taken to transmission income after 12 years from the date of commercial operation to the extent the depreciation charged in respect of transmission system is more than the depreciation recovery under tariff.

Current Liabilities

Your company's current liabilities as at 31st March, 2012 were ₹ 13378.74 crore. The current liabilities include short-term borrowings, current maturities of long term borrowings, Trade payables, short term provisions and other current liabilities.

Current liabilities were 27.25% higher at March 31, 2012 compared to March 31, 2011. The increase is mainly due to increase in deposits retention money from contractors & others from ₹ 583.60 Crore in Fiscal 2011 to ₹ 1583.60 Crore in Fiscal 2012.

Contingent Liabilities

The following table sets forth the principal components of our Contingent Liabilities as at March 31, 2012 and 2011:

| Contingent Liabilities | (Rupees in crore) | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Claims against the Company not acknowledged as debt in respect of | | |
| Capital Works | 73.15 | 1780.92 |
| Land Compensation cases | 1765.09 | 1328.87 |
| Other Claims- | 11.72 | 52.92 |
| Disputed Tax Matters- Income Tax/Sales Tax/Excise | 257.86 | 102.57 |
| Others | 80.16 | 105.98 |
| Bank Guarantee given on behalf of Nagapattinam-Madhugiri Transmission Company Ltd. (wholly owned subsidiary of POWERGRID) towards performance of the work awarded | 45.00 | - |
| Total | 2232.98 | 3371.26 |

Contingent liabilities decreased by 33.76% in Fiscal 2012 compared to Fiscal 2011. This decrease was mainly due to settlement of a case with respect to Capital works in favour of the Company. Claims in respect of Capital works are being contested by the Company as being not admissible in terms of the provisions of the respective contracts. The Company is pursuing various options under dispute resolution mechanism available in the contract for settlement of these claims.

BUSINESS AND FINANCIAL REVIEW OF JOINT VENTURE COMPANIES and SUBSIDIARIES:

JOINT VENTURE COMPANIES

A) Powerlinks Transmission Limited (POWERLINKS):

Main Objective and Capital Structure

POWERGRID and TATA POWER are the Joint Venture Partners in this Joint Venture Company and hold 49% and 51% equity, respectively. This was POWERGRID's first public - private partnership in Power Transmission. The Company was incorporated to undertake the implementation of Transmission Lines associated with Tala HEP, East-North interconnector and Northern Region Transmission System from Siliguri in West Bengal via Bihar to Uttar Pradesh. POWERLINKS successfully commissioned the project in August, 2006 and it is under commercial operation since 1st September, 2006. As on 31.03.2012, POWERLINKS has Authorized share capital of ₹ 4,83,60,00,000/- and paid-up capital of ₹ 4,68,00,00,000/- out of which POWERGRID holds Shares of ₹ 229.32 crore and TATA POWER hold shares of ₹ 238.68 crore. POWERLINKS has given a dividend of 19% for Fiscal 2012.

Financial Highlights of the Company:

| Particulars | Fiscal 2012 | Fiscal 2011 |
|----------------------------------|-------------|-------------|
| POWERGRID's investment in Equity | 229.32 | 229.32 |
| Gross Income | 299.24 | 306.75 |
| Profit after Tax | 112.35 | 105.68 |
| Earning per Share* | 2.40 | 2.26 |

*Face value per Share is ₹ 10/- each.

B) JAYPEE POWERGRID Limited (JPL):

Main Objective and Capital Structure

The main objective of the Company was to implement a transmission system to evacuate power 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 31.03.2012, JPL has Authorized share capital of ₹ 300 crore and paid-up capital of ₹ 292 crore divided into 29,20,00,000 equity shares of ₹ 10 each, POWERGRID equity being ₹ 75.92 crore. Jaiprakash Power Ventures Limited and POWERGRID individually hold 74% and 26%, respectively as on 31.03.2012. The project has commissioned on 01.04.2012.

C) Torrent Powergrid Limited (TPL):

Main Objective and Capital Structure

The main objective of the Company was to establish transmission system associated with 1100MW Gas Based project (Sugen) Generation Station of Torrent Power Ltd. (TPL) at Akhakhhol in Surat District of Gujarat. POWERGRID and Torrent Power Ltd. are the Joint Venture Partners in this Company and hold 26% and 74% equity, respectively, POWERGRID equity being ₹ 23.40 crore. As on 31.03.2012, TPL has Authorized share capital of ₹ 125 crore and paid-up capital of ₹ 90 crore. The project got fully commissioned in April, 2011 and it is in operation.

Financial Highlights of the Company:

| Particulars | Fiscal 2012 | Fiscal 2011 |
|----------------------------------|-------------|-------------|
| POWERGRID's investment in Equity | 23.40 | 23.40 |
| Gross Income | 54.51 | 23.07 |
| Profit after Tax | 10.26 | 3.75 |
| Earning per Share* | 1.14 | 0.42 |

*Face value per Share is ₹ 10/- each.

D) Parbati Koldam Transmission Company Limited (PKTCL)

POWERGRID entered into a Joint Venture Agreement on 23rd November, 2007 with Reliance Energy Limited (REL) now Reliance Infra, 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. As on 31.03.2012, PKTL has Authorized share capital of ₹ 331 crore and paid-up capital of ₹ 82.63 crore. The Company has got the Transmission License in September, 2008. As the project is under implementation, there is no operating profit. It is anticipated that there might be delays in commissioning of the related Hydro Electric Projects i.e. Parbati II Hydro Electric Project of NHPC and Koldam Hydro Electric Project of NTPC. This matter was discussed in the Standing Committee Meeting of all Northern Region beneficiaries on 19th December, 2011 and it was decided that Parbati -Koldam Line is required for Parbati III HEP of NHPC.

E) Teestavalley Power Transmission Limited (TPTL)

POWERGRID entered into a Joint Venture Agreement with Teesta Urja Limited on 23rd November, 2007 on 26% equity -POWERGRID and 74% equity Teesta Urja Limited (TUL) for implementation of transmission lines of Teesta-III to Kishanganj sub-station (Karandighi) 400kV D/C line associated with 1200 MW Teesta-III Hydro Electric Power Project. As on 31.03.2012, TPTL has Authorized share capital of ₹ 120 crore and paid-up capital of ₹ 78.21 crore. The Company has got the Transmission Licence in Fiscal 2009. As the project is under implementation, there is no operating profit.

F) North East Transmission Company Ltd.(NETCL):

POWERGRID entered into a Joint Venture Agreement in February, 2009 with ONGC Tripura Power Project Company Ltd. (OTPC), Government of Tripura, Manipur, Mizoram, Assam Electricity Grid Corporation Ltd. and Meghalaya for establishment of Transmission Line of 400kV D/C Palatana Bongaigoan Transmission Project associated with 726 MW Palatana Gas base Power Project in the state of Tripura. The Joint Venture Company is named 'North East Transmission Company Limited'. OTPC, the generating Company is a joint venture of ONGC Ltd., Government of Tripura and Infrastructure Leasing & Finance Services Ltd., (IL&FS Ltd.). The Company has got the Transmission Licence in Fiscal 2009. As on 31.03.2012, NETCL has Authorized capital of ₹ 600 crore and paid-up share capital of ₹ 281.22 crore. Construction work of the project is under progress. Since the project is under implementation, there is no operating profit.

G) National High Power Test Laboratory Private Limited (NHPTLPL):

POWERGRID entered into a Joint Venture Agreement in April, 2009 with equal participation with NTPC Ltd., NHPC Ltd. and Damodar Valley Corporation for setting up an On-line High Power Test Laboratory for short circuit test facility in the country. The Joint Venture Company is named 'National High Power Test Laboratory Private Limited'. Central Power Research Institute, Bangalore (CPRI) has been inducted as the Fifth equal equity partner of the Company on 24.02.2012. As on 31.03.2012, the company has Authorized share capital of ₹ 120 crore and paid-up capital of ₹ 10.50 crore. A fully independent, stand alone, state-of-the-art, professionally managed, international class, "On Line High Power Short Circuit Test Facility" is being established by the Company at Bina (M.P.) to provide a full range of short circuit testing for the electrical equipment manufacturing industry and power utilities in conformance to Indian and International Standards. The project is under progress. Since the project is under implementation, there is no operating profit.

H) Energy Efficiency Services Limited (EESL):

POWERGRID entered into a Joint Venture Agreement in November, 2009 with equal participation with NTPC Ltd., Power Finance Corporation Ltd. and Rural Electrification Corporation Ltd. The JV Company will promote measures of Energy efficiency, Energy Conservation and Climate Change and is carrying out business related to energy audit of Govt. buildings, consultancy assignments etc. The Joint Venture Company is named 'Energy Efficiency Services Limited'. As on 31.03.2012, the Company has Authorized share capital of ₹ 190 crore and paid up capital of ₹ 2.50 crore.

The Shareholders' Agreement has been signed on July 9, 2012 for implementation of 400 KV D/C Muzaffarpur - Dhalkebar transmission line on Joint Venture route:

- Cross Border Power Transmission Company Limited (CPTC) for implementation of Indian portion of the transmission line, i.e. Muzaffarpur-Sursand section on Indian side of Indo-Nepal Border.
- Power Transmission Company Nepal Limited (PTCN) for implementation of Nepalese portion of the transmission line, i.e. Dhalkebar-Bathanaha VDC section on Nepal side of Indo-Nepal Border.

SUBSIDIARIES

A) Power System Operation Corporation Limited (POSOCO):

Power System Operation Corporation Ltd (POSOCO) was incorporated as a wholly owned subsidiary of POWERGRID on 20.03.2009. POSOCO, is responsible for Independent System Operation. The certificate of commencement of business of the company has been obtained on 23rd March, 2010. The agreements for transfer of movable assets to POSOCO were executed on 16.03.2011, and POWERGRID transferred assets and liabilities to POSOCO w.e.f. 1st October, 2010. As on 31.03.2012, POSOCO has Authorized share capital of ₹ 200 crore and paid-up capital of ₹ 30.64 crore. Operations of POSOCO for the year ended 31.03.2012 have resulted in turnover of ₹ 214.34 crore and Profit after Tax of ₹ 50.52 crore.

B) NAGAPATTINAM-MADHUGIRI TRANSMISSION COMPANY LIMITED:

Nagapattinam-Madhugiri Transmission Company Limited(NMTCL) was acquired/taken over by POWERGRID on March 29, 2012 under Tariff Based Competitive Bidding for establishing Transmission System associated with IPPs of Nagapattinam/Cuddalore Area(Package A) from PFC Consulting Ltd (the Bid Process Co-ordinator). Consequent to such acquisition, NMTCL became wholly owned subsidiary of POWERGRID. The transmission system comprising 765kV D/C and 765kV S/C is to traverse the states of Tamil Nadu and Karnataka. As on 31.03.2012, NMTCL has Authorized and Paid-up share capital of ₹ 5 Lac.

VEMAGIRI TRANSMISSION SYSTEM LIMITED :

Further, Vemagiri Transmission System Limited (VTSL) was acquired / taken over by POWERGRID on April 18, 2012 under Tariff Based Competitive Bidding for establishing Transmission system associated with IPPs of Vemagiri Area (Package A) from REC Transmission Project Company Limited (the Bid Process Co-ordinator). Consequent to such acquisition, VTSL became wholly owned subsidiary of POWERGRID. The transmission system comprising 765kV D/C is to traverse the state of Andhra Pradesh. As on 31.03.2012, VTSL has Authorized and Paid-up share capital of ₹ 5 Lac.

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



(R. N. Nayak)

Chairman & Managing Director

Place: New Delhi

Date: 09.08.2012

ANNEXURE - II to the Directors' Report

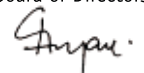
**Particulars of Employees Pursuant to Section 217(2A)
of the Companies Act, 1956 for the Year 2011-2012**

| Sl. No | Name | Designation & Nature of duties | Qualification | Remuneration | Total Experience | Date of commencement of Employment (In Powergrid) | Age | Last Employment held |
|--------------------------------------|-----------------------|------------------------------------|-------------------------------------|--------------|------------------|---|---------|------------------------|
| | | | | (₹) | (Years) | | (years) | |
| Employed for part of the year | | | | | | | | |
| 1 | S.N. Taneja | Dy. General Manager(S/S-O&M) | B.Sc.Engg.(El) | 3487595 | 36 | 16-Aug-91 | 60 | NTPC Ltd |
| 2 | R.P.S.Chauhan | Chief Manager(MATL) | Ph.D.,B.Ed.,MA | 3844805 | 24 | 16-Aug-91 | 60 | NTPC Ltd |
| 3 | B.B.Gupta | Chief Manager(TL) | Dipl. Engg. | 2952480 | 20 | 19-Dec-91 | 60 | NHPC Ltd |
| 4 | V.K. Banerjee | Chief Manager(TL-Constn) | Dipl. Engg. | 3500567 | 25 | 16-Aug-91 | 60 | NTPC Ltd |
| 5 | H.K. Maini | Chief Manager (TL O&M) | Dip. Engg (E) | 1217181 | 33 | 19-Nov-91 | 60 | NHPC Ltd |
| 6 | Avtar Singh | Personnel Officer (HR) | B.A. PG Dip. In PM&IR | 800870 | 32 | 19-Nov-91 | 60 | NHPC Ltd |
| 7 | R.K.Verma | Sr. Asstt. GR. I (TL) | Matric | 668222 | 36 | 19-Nov-91 | 60 | NHPC Ltd |
| 8 | Thakur Dayal | Sr. Asstt. Sel GR (Allied Service) | Matric | 638946 | 36 | 19-Nov-91 | 56 | NHPC Ltd |
| 9 | Jameet Singh | Sr. Optr (S/S) Sel. Gr. (S/S O&M) | Matric | 604194 | 37 | 19-Nov-91 | 60 | NHPC Ltd |
| 10 | Kishori Lal | Master Tech (L/M) Gr. I(TL Maint) | Matric | 553233 | 36 | 19-Nov-91 | 60 | NHPC Ltd |
| 11 | R.K.Patel | Manager(TL-O&M) | BE | 5308762 | 35 | 16-Aug-91 | 60 | NHPC Ltd |
| 12 | M.Arunachalam | Chief Manager(S/S I/C) | MBA,BE | 5763052 | 27 | 16-Aug-91 | 60 | NTPC Ltd |
| 13 | A.K.Tyagi | Chief Manager(TL-Constn) | DIPLOMA ENGG | 5828741 | 35 | 19-Nov-91 | 60 | NHPC Ltd |
| 14 | Y.Sivaraman | Chief Manager(IA) | CA | 3348015 | 35 | 16-Aug-91 | 60 | NTPC Ltd |
| 15 | K.Sreenivasaiah | Chief Manager(F&A) | CA | 1026190 | 33 | 16-Aug-91 | 60 | NTPC Ltd |
| 16 | V.Loganathan | Manager(TL-Maint) | Dip in Civil Eng | 2708594 | 38 | 16-Aug-91 | 60 | NTPC Ltd |
| 17 | M.Mahender Rao | Senior Engineer(S/S) | LEE | 1571472 | 30 | 16-Aug-91 | 60 | NTPC Ltd |
| 18 | M.D.Shareefuddin | Senior Driver(S/S) | IX, HMV | 1448392 | 27 | 16-Aug-91 | 60 | NTPC Ltd |
| 19 | Md. Dawood Ali | Senior Master Technician(Civil) | BA, HMV | 1429997 | 29 | 16-Aug-91 | 60 | NTPC Ltd |
| 20 | T.V.S.P Sekhar | Chief Manager(TL-Constn) | B.Tech, Elect and Electronics | 1957590 | 22 | 1-Dec-92 | 48 | NLC Ltd |
| 21 | Lt. S. R. Choudhary | Chief Manager(FQA) | AMIE, DCE | 2583203 | 38 | 19-Nov-91 | 59 | NHPC Ltd |
| 22 | Lt. Vashisth Sharma | Junior Engineer(O&M) | Matric | 862301 | 36 | 19-Nov-91 | 58 | NHPC Ltd |
| 23 | Jairam Singh (Rtd.) | Junior Engineer (SG) (T&C) | ITI | 2063573 | 38 | 19-Nov-91 | 60 | NHPC Ltd |
| 24 | R.N.Tiwari | Sup Sel-Gr(OPRN.) | INTER, ITI | 2522953 | 33 | 19-Nov-91 | 60 | NHPC Ltd |
| 25 | P. C. Bharti | Sup Sel-Gr(Civil) | 10TH | 2399375 | 40 | 19-Nov-91 | 60 | NHPC Ltd |
| 26 | M.C. Bhatnagar | GM (Tech Div.) | B.E., Adv. Dip. In Mgmt | 3091247 | 40 | 16-Aug-91 | 60 | NTPC Ltd. |
| 27 | M. K. Sethi | Chief Manager(BDD) | M.E.,AMIE | 1735442 | 42 | 15-Oct-91 | 60 | NTPC Ltd. |
| 28 | J. Sridharan | Director(Finance) | CA,ICWA | 3031769 | 36 | 10-Jan-00 | 60 | Pentafour Software,AAI |
| 29 | Rakesh Saxena | GM(ESMD) | B.Sc.Engg. | 2677617 | 39 | 19-Nov-91 | 60 | NHPC Ltd |
| 30 | Ganesh Singh | ED(DMS) | B.E.,M.E. | 3002926 | 34 | 16-Aug-91 | 60 | NTPC Ltd. |
| 31 | S.K. Chaturvedi | CMD | M.Sc., PG Dip in PM and IR | 3840159 | 36 | 1-Aug-08 | 60 | NHPC Ltd |
| 32 | P. E. Selwyn | Chief Manager (HR) | B.SC | 2472273 | 36 | 1-Dec-92 | 60 | NLC Ltd |
| 33 | Jyoti Ramalingam | DGM (F&A) | CA | 4479265 | 36 | 16-Oct-91 | 60 | NTPC Ltd. |
| 34 | C.Muthusamy | SR ATTD(TOFFICE) | SSLC | 955796 | 37 | 1-Jan-94 | 60 | CEA |
| 35 | A.R. Rani Anisia | SR ASST GR II(INSPECTION) | SSLC | 1556514 | 27 | 1-Dec-92 | 45 | NLC Ltd |
| 36 | Late H. B. Singh | GM (O&M) | BE (ELEC) | 7344083 | 34 | 16-Aug-91 | 56 | NTPC Ltd. |
| 37 | M.M. Geevarghese | JE SEL GR(S/S-O&M) | ITI (MECHANIACL) | 3723857 | 33 | 19-Nov-91 | 60 | NHPC Ltd |
| 38 | M.Vasudevan | MASTER TECHNICIAN GR-II (CONST) | SSLC, HMV | 3480054 | 31 | 16-Aug-91 | 60 | NTPC Ltd. |
| 39 | Late K.C. Chandrabanu | TECH GR IV(TL-Constn) | IX, TECH TRAINING COURSE (6 MONTHS) | 2463414 | 21 | 1-Dec-92 | 47 | NLC Ltd |
| 40 | M.P. Manian | SR PO | BA, LLB, MASTERS IN PM & IR | 4995466 | 33 | 16-Aug-91 | 60 | NTPC Ltd. |
| 41 | Ahmed Basha | SR DRIVER GR I(S/S-O&M) | VIII, HMV | 3858839 | 28 | 16-Aug-91 | 60 | NTPC Ltd. |
| 42 | P.P. Sasidharan | SUP GR II (MATL) | SSLC | 3560063 | 32 | 1-Dec-92 | 60 | NLC 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.
- 4) Particulars of employees transferred to POSOCO on secondment basis have not been included and the same are annexed to Directors' Report of POSOCO.

For and on behalf of the Board of Directors


(R. N. Nayak)

Place: New Delhi

Date: 09.08.2012

Chairman & Managing Director

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 read with Section 217(1)(e) of the Companies Act, 1956.

A. Conservation of Energy

(a) Energy conservation measures taken and on hand:

It has been the endeavour of POWERGRID to make all out efforts for conservation of energy in all its projects - right from the planning stage, to the execution stage and throughout the O&M period. Before finalizing the transmission schemes, various alternatives/ technologies for power transfer are examined and one of the major criteria for selection of transmission system/ technology is lower losses. In fact, POWERGRID has adopted higher voltage levels like 765kV AC, ± 500 kV HVDC, ± 800 kV HVDC and 1200kV AC in its transmission systems for bulk power transfer across various regions which result in lower losses in the system.

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 optimized. During evaluation of transformer & shunt reactor packages, equipment with minimum losses is given weightage. In case of HVDC system also, the selection of parameters of filter components, Thyristor Valves, Converter Transformer etc. is done in such a way that overall losses are minimized even under worst condition of system operating parameters. 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. a) Research and Development :

POWERGRID continuously makes effort towards research and developmental activities and also evaluates global innovation & technology in harnessing and tapping the latest and best technology in the industry. Being transmission service organization, the Technology Development Division(TDD) as a research and development wing of the company focuses on to strengthen the portfolio of Applied Research in the field of transmission for efficiency improvement, high system availability, optimizing upon the cost of delivered power and whenever required, enters into arrangements with manufacturing industries, academic/research institutions to develop latest technology and practices suitable to Indian context towards sustainability.

POWERGRID's focus on Inclusive Innovation is aimed at discovering where and how new transmission technology can address effective delivery of transmission services to its customers. In this process, POWERGRID in collaboration with thirty five(35) manufacturers and Central Power Research Institute(CPRI) have developed indigenous 1200kV transmission technology, the highest transmission voltage in the world. This 1200kV National Test Station established at Bina comprises of 1200kV equipment like Power Transformers, Current Transformer(CT), Capacitive Voltage Transformer(CVT), Surge Arresters, Isolators, Transmission Towers, Hardware & accessories etc. This Test Station will facilitate in finalization of technical parameters, design review, field testing etc. of 1200kV AC system and shall benefit Indian Power sector by optimization of transmission cost and ease of maintenance.

Other notable research and developmental activities undertaken are:

Lightning mapping - North Eastern Region (NER) of POWERGRID is highly prone to lightning activities which causes frequent trippings of lines thus affecting reliability of power transfer. Customised lightning detection system at various substations in NER has been installed for lightning mapping which shall help in correlating tripping of line with lightning activities. Preventive measures such as improvement of tower earthing, replacement of insulators shall be decided based on the evaluation of lightning data.

Process bus Technology - POWERGRID is in the process to implement State-of-the-Art process bus technology using Novel Sensor (optical instrument transformers) for the substation automation using IEC 61850 protocol. This is emerging technology for a substation where bay level equipment shall also be connected through optical Ethernet. This will enable a significant reduction of copper wiring in the substation and a better diagnosis of the primary equipment health condition.

Superconducting Transmission Technology - POWERGRID is exploring the viability of application of AC High Temperature Superconductor Power Transmission Cable pilot project, which will increase power intensity of the corridor, reduction of losses etc. if proven commercially viable.

Pollution mapping in Northern Region - To minimize the probability of occurrence of pollution flashover in lines passing through pollution affected areas, POWERGRID in association with CPRI, Northern Regional Power Committee (NRPC) & all the STUs of Northern Region is conducting Pollution mapping.

b) Technology Absorption :

The company seamlessly integrated emerging technologies into transmission development and maintenance for improved efficiency. Some of the prominent technologies are as under:

- Digital substation with IEC 61850 automation standards for all new stations. This would increase operational and maintenance efficiency as well as reduction in operational overheads.
- Polymer composite insulators are being provided in transmission lines passing through polluted areas to improve system availability.
- State-of-the-Art high temperature low sag (HTLS) conductors are being used on critical stretches for optimized RoW and investment.
- Compact substation using GIS technology at 400kV/765kV level is being applied to optimized substation land requirement.
- On line transformer monitoring techniques are being used for condition monitoring of power transformers to reduce outages and improve system availability.

c) Foreign Exchange Earnings and Outgo :

₹ in Crore

Foreign Exchange Earnings

| | |
|----------------------|-------------|
| (i) Interest | NIL |
| (ii) Consultancy Fee | 9.65 |
| Total | 9.65 |

Foreign Exchange outgo

| | |
|---------------------------------------|----------------|
| (i) Capital goods and Spare Parts | 2191.19 |
| (ii) Professional and Consultancy Fee | NIL |
| (iii) Interest | 152.30 |
| (iv) Others | 22.89 |
| Total | 2366.38 |

For and on behalf of the Board of Directors



(R. N. Nayak)

Chairman & Managing Director

Place: New Delhi

Date: 09.08.2012

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF POWER GRID CORPORATION OF INDIA LIMITED FOR THE YEAR ENDED 31 MARCH 2012.

The preparation of financial statements of Power Grid Corporation of India Limited for the year ended 31 March 2012 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditor 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 29 May 2012.

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 the Power Grid Corporation of India Limited for the year ended 31 March 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

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

Sd/-
(Praveen Kumar Singh)
Principal Director of Commercial Audit &
Ex-officio Member Audit Board-III
New Delhi

Place: New Delhi
Date : 20th June, 2012

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 a 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 Vision of **"World Class, Integrated, Global Transmission Company With Dominant Leadership in Emerging Power Markets Ensuring Reliability, Safety and Economy"** and its mission i.e. **"We will become a Global Transmission Company with Dominant Leadership in Emerging Power Markets with World Class Capabilities by:**

- 1. World Class: Setting superior standards in capital project management and operations for the industry and ourselves.**
- 2. Global: Leveraging capabilities to consistently generate maximum value for all stakeholders in India and in emerging and growing economies.**
- 3. Inspiring, nurturing and empowering the next generation of professionals.**
- 4. Achieving continuous improvements through innovation and state of the art technology.**
- 5. Committing to highest standards in health, safety, security and environment."**

The Corporate Governance of POWERGRID is geared by the following:

- To meet the short term, medium term & long term objectives and specific targets every year set by the Government of India and the persons at the helm of its affairs, i.e. the Board, by empowering people at the most appropriate levels keeping the job profile/functions in view.
- 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 is a "NAVRATNA PSE" since May, 2008. The NAVRATNA status has provided the Company more flexibility and autonomy in terms of making investments and operational decisions. Now, the Board of Directors of POWERGRID are the approving Authority to 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 is 15% of the net worth of POWERGRID in one project limited to ₹ 1000 crore. The overall ceiling on such investment in all projects put together is 30% of the net worth of POWERGRID.

The Board of Directors comprises 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. Audit Committee; Shareholders'/Investors' Grievance Committee; Committee on Investment on Projects; Committee on Award of Contracts; Committee for Bonds; Committee for Award of Contracts relating to Rural Electrification (RE), Accelerated Power Development & Reforms Programme (APDRP) and other Deposit Works; Sustainable Development Committee etc. to have better and more focused attention. Advisory Boards of eminent persons are in place for Environment and Social Policy and Procedures, R&D and for Telecom to advise POWERGRID on critical issues/consensus building in these areas.

Management Discussion and Analysis is Annexed to Directors' Report.

The compliance of the Company with the conditions of the Corporate Governance and the disclosure requirements in that regard 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 69.42% of the total paid-up share capital. As per Articles of Association, the power to appoint Directors rests with the President of India.

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 31st March, 2012, the Board comprised eight Directors out of which four were whole-time Directors including the Chairman & Managing Director, two Government nominees and two Independent Directors.

Clause 49 I (A) of the Listing Agreement with Stock Exchanges, stipulates that half of the Board members of your Company should be Independent Directors. For the Financial Year 2011-12 the requirement of Independent Directors as per this clause was not fully met.

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 orders 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 31st March, 2012 was as follows:

| Details of Directors | | Name | Date of Joining on the Board | Date of superannuation/ completion of Tenure |
|---|---|--------------------|------------------------------|---|
| Category (Functional/ Official/ Non-official) | Designation | | | |
| 1. Whole Time Directors | Chairman & Managing Director | Shri R.N.Nayak | 01.09.2011 | Date of superannuation - 30.09.2015. |
| | Director(Projects) | Shri I.S.Jha | 01.09.2009 | Completion of tenure - 31.08.2014. Date of superannuation - 30.06.2019. |
| | Director (Finance) | Shri R. T. Agarwal | 29.07.2011 | Completion of tenure – 28.07.2016. Date of superannuation – 31.08.2016. |
| | Director (Personnel)^ | Shri V.M. Kaul | 16.03.2009 | Superannuated on 31.03.2012. |
| | Director (Operations)* | - | - | - |
| 2. Govt. Nominees Part – time Directors | JS &FA, Ministry of Power | Shri Rakesh Jain | 09.06.2009 | Till the President desires. |
| | JS (Trans.) Ministry of Power | Smt. Rita Acharya | 26.08.2011 | Till the President desires. |
| 3. Non-official Part-time Directors | Non-official Part-time Director (Independent) | Shri Santosh Saraf | 27.12.2011 | For a period of three years with effect from the date of appointment or until further orders, whichever event occurs earlier. |
| | | Smt. Rita Sinha | | |

^Shri Ravi P. Singh has been appointed as Director (Personal) w.e.f. 01.04.2012.

*Shri R. P. Sasmal has been appointed as Director (Operations) w.e.f. 01.08.2012.

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 Agenda items being discussed by the Board.

During the financial year ended 31st March, 2012 twenty Board meetings were held on 4th May, 24th May, 30th May, 7th July, 2nd August, 26th August, 30th August, 16th September, 4th October, 13th October, 22nd October, 17th November, 5th December, 10th December, and 27th December, of the year 2011, and 23rd January, 8th February, 24th February, 16th March and 26th March, of the year 2012. The maximum interval between any two meetings during this period was 37 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'/Investors' Grievance Committee as per Clause 49 I (C) – Explanation – 2) held by them during the year 2011-12 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 19.09.11) | No. of other Directorship held on 31.03.12 | *No. of Other Committee Membership held on 31.03.2012 | |
|---|--|--------------------------------|---|--|---|--------|
| | | | | | Chairman | Member |
| Whole Time Directors | | | | | | |
| Shri R. N. Nayak, Chairman & Managing Director (w.e.f. 01.09.2011) | 13 | 13 | Yes | 7 | NIL | NIL |
| Shri I. S. Jha, Director (Projects) (w.e.f. 01.09.2009) | 20 | 20 | Yes | 3 | NIL | 2 |
| Shri R. T. Agarwal Director (Finance) (w.e.f. 29.07.2011) | 16 | 16 | Yes | 3 | 1 | 3 |
| Shri V. M. Kaul, Director (Personnel) (Superannuated on 31.03.2012.) | 20 | 18 | Yes | 2 | NIL | 5 |
| | | | | | | |
| Shri S. K. Chaturvedi Chairman & Managing Director (Superannuated on 31.08.2011.) | 7 | 7 | N.A. | N.A. | N.A. | N.A. |
| Shri J. Sridharan, Director (Finance) (Superannuated on 30.04.2011.) | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| Shri R. N. Nayak, Director (Operations) (Ceased to be Director (Operations) w.e.f. 01.09.2011.) | 7 | 7 | N.A. | N.A. | N.A. | N.A. |
| Non-executive Directors (Government Nominees) | | | | | | |
| Shri Rakesh Jain Jt. Secy.& Fin. Adv., Ministry of Power (w.e.f. 09.06.2009) | 20 | 19 | Yes | 1 | 1 | 2 |
| Smt. Rita Acharya Jt. Secy., Ministry of Power (w.e.f. 26.08.2011) | 15 | 14 | Yes | 1 | NIL | NIL |
| Dr. M. Ravi Kanth Jt. Secy., Ministry of Power (Ceased to be Director w.e.f. 16.08.2011) | 5 | 2 | N.A. | N.A. | N.A. | N.A. |
| Independent Directors | | | | | | |
| Shri Santosh Saraf (w.e.f. 27.12.2011) | 5 | 5 | N.A. | 1^ | 3 | NIL |
| Smt. Rita Sinha (w.e.f. 27.12.2011) | 5 | 3 | N.A. | NIL | NIL | NIL |
| Smt. Sarita Prasad (Ceased to be Director w.e.f. 04.08.2011) | 5 | 5 | N.A. | N.A. | N.A. | N.A. |
| Dr. P. K. Shetty (Ceased to be Director w.e.f. 10.07.2011) | 4 | 4 | N.A. | N.A. | N.A. | N.A. |
| Dr. A. S. Narag (Ceased to be Director w.e.f. 10.07.2011) | 4 | 4 | N.A. | N.A. | N.A. | N.A. |
| Shri Anil K. Agarwal (Ceased to be Director w.e.f. 10.07.2011) | 4 | 3 | N.A. | N.A. | N.A. | N.A. |

| Name of the Director | Meeting held during respective tenure of Directors | No. of Board Meetings attended | Attendance at the last AGM (held on 19.09.11) | No. of other Directorship held on 31.03.12 | *No. of Other Committee Membership held on 31.03.2012 | |
|---|--|--------------------------------|---|--|---|--------|
| | | | | | Chairman | Member |
| Shri F. A. Vandrevalla (Ceased to be Director w.e.f. 10.07.2011) | 4 | 4 | N.A. | N.A. | N.A. | N.A. |
| Shri S. C. Tripathi (Ceased to be Director w.e.f. 25.04.2011) | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| Dr. Ashok Khanna (Ceased to be Director w.e.f. 25.04.2011) | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |

*Includes POWERGRID

^ This does not include Directorship in Private Companies. In addition, he is an Independent Director in NEEPCO w.e.f. 06.07.2012.

Shri Ravi P. Singh has been appointed as Director (Personal) w.e.f. 01.04.2012.

Shri R. P. Sasmal has been appointed as Director (Operations) w.e.f. 01.08.2012.

None of the Directors of the company are in any way related with each other.

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

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 of the company.
4. Minutes of meetings of audit committee and other committees of the Board including minutes of Subsidiary Company.
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 occupied 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.

Post meeting follow-up system:

The Governance process in the Company include an effective post-meeting follow-up, review and reporting process for action taken / pending on decisions of the Board and the Board Committee(s).

3. Committees of the Board of Directors

The Board has constituted the following Committees as on 30.06.2012:

- i) Audit Committee
- ii) Shareholders'/Investors' Grievance Committee
- iii) Remuneration Committee for : (a) Board Level Executives and (b) Below Board Level Executives
- iv) Committee on Investment on Projects
- v) Committee on Award of Contracts
- vi) Committee for Transfer/Split/Rematerialisation/Dematerialization etc. of Shares
- vii) Committee for Bonds,

- viii) Committee for Award of Contracts relating to RE, APDRP and other Deposit Works
- ix) Sustainable Development Committee

3.1 Audit Committee:

As on 31st March, 2012, the Audit Committee comprised the following Directors:

- (i) Shri Santosh Saraf, Non-official Part-time Director – Member & Chairman
- (ii) Smt. Rita Sinha, Non-official Part-time Director – Member
- (iii) Shri Rakesh Jain, 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 Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010, the Companies Act, 1956 and the 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 have elapsed between two meetings in that year. The quorum for the Audit Committee meetings is either two members or one third of the members of the Audit Committee whichever is greater, but there should be a minimum of two independent members present.

Powers of Audit Committee

The powers of the Audit Committee include the following:

1. To investigate any activity within its terms of reference.
2. To seek information on and 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 protect whistle blowers.
6. 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 our 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 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.
 - 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, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors and adequacy of the internal control systems.
7. 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.

8. Discussion with internal auditors and / or auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors/auditors/agencies 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.
10. 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.
11. 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.
12. To review the functioning of the Whistle Blower Mechanism.
13. To review the follow up action on the audit observations of the Comptroller & Auditor General audit.
14. To review the follow up action taken on the recommendations of Committee on Public Undertakings (COPU) of the Parliament.
15. Provide an open avenue of communication between the independent auditor, internal auditor and the Board.
16. Review all related party transactions in our Company. For this purpose, the Audit Committee may designate a member who shall be responsible for reviewing related party transactions.
Explanation: The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, issued by the Institute of Chartered Accountants of India.
17. Review with the independent auditor the co-ordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of all audit resources.
18. Consider and review the following with the independent auditor and the management:
 - a. The adequacy of internal controls including computerized information system controls and security; and
 - b. Related findings and recommendations of the independent auditor and internal auditor, together with the management responses.
19. Consider and review the following with the management, internal auditor and the independent auditor:
 - a. Significant findings during the year, including the status of previous audit recommendations; and
 - b. Any difficulties encountered during audit work including any restrictions on the scope of activities or access to required information.
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

In line with the provisions of Articles of Association of POWERGRID, the whole-time Functional Directors of the Company including Director (Finance) referred to as CFO are appointed by the Administrative Ministry through Public Enterprise Selection Board.

Review of information by Audit Committee

The Audit Committee shall mandatorily review 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.
5. The appointment, removal and terms of remuneration of the chief internal auditor.
6. Certification/declaration of financial statements by the Chief Executive Officer/Chief Finance Officer.

Composition of Audit Committee during the F.Y. 2011-12:

The composition of Audit Committee during the financial year 2011-12 was as under:

On completion of tenure of Shri S. C. Tripathi and Shri Ashok Khanna, Independent Directors, the Audit Committee was re-constituted on 04.05.2011 and again on 07.07.2011 on completion of tenure of Shri F. A. Vandrevalla and Shri Anil K. Agarwal. Further, on completion of tenure of Smt. Sarita Prasad on 04.08.2011, the Audit Committee was again reconstituted with following directors as members on the Audit Committee:

| | | |
|--|-------------------|------------------------|
| Shri Rakesh Jain, JS&FA, MOP | Member & Chairman | Non-Executive Director |
| Dr. M. Ravi Kanth, JS, MOP/Smt. Rita Acharya | Member | Non-Executive Director |
| Shri V. M. Kaul | Member | Director (Personnel) |

Smt. Rita Acharya was appointed as a member of the Audit Committee in place of Dr. M Ravi Kanth.

On appointment of two Independent Directors on the Board of POWERGRID w.e.f. 27.12.2011, the Audit Committee was again reconstituted on 23.01.2012 with following directors as members on the Audit Committee:

| | | |
|------------------------------|-------------------|---------------------------------|
| Shri Santosh Saraf | Member & Chairman | Non-official Part-time Director |
| Smt. Rita Sinha | Member | Non-official Part-time Director |
| Shri Rakesh Jain, JS&FA, MOP | Member | Non-Executive Director |

Attendance:

During the financial year ended 31st March, 2012, eight meetings of the Audit committee were held on 24th May, 30th May, 7th July, 2nd August, 13th October, 22nd October, and 27th December, of the year 2011, and 8th February, 2012.

Attendance at Audit Committee Meetings during the Financial Year 2011-12:

| Name | Audit Committee Meeting | |
|-----------------------------------|-------------------------|----------|
| | Held | Attended |
| Shri Rakesh Jain, JS&FA, MOP | 8 | 8 |
| Smt. Rita Acharya, JS, MOP | 3 | 3 |
| Shri V. M. Kaul, Dir. (Personnel) | 3 | 2 |
| Shri F. A.Vandrevala, Director | 3 | 3 |
| Shri Anil K. Agarwal, Director | 3 | 3 |
| Smt. Sarita Prasad, Director | 4 | 4 |
| Dr. M. Ravi Kanth, JS, MOP | 1 | 0 |
| Smt. Rita Sinha, Director | 1 | 1 |
| Shri Santosh Saraf, Director | 1 | 1 |

3.2 Shareholders'/ Investors' Grievance Committee.

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

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 31st March, 2012 the Committee comprised the following Directors:

- Shri Santosh Saraf, Non-official Part-time Director – Chairman
- Smt. Rita Sinha, Non-official Part-time Director – Member
- Shri V. M. Kaul, Director (Personnel) – Member
- Shri R. T. Agarwal, Director (Finance) – Member.

The Company Secretary is the Secretary of the Committee.

Composition of Shareholders'/Investors' Grievance Committee during the F.Y. 2011-12:

The composition of Shareholders'/Investors' Grievance Committee during the financial year 2011-12 was as under:

As on 1st April, 2011, Shri Anil K. Agarwal, Shri J. Sridharan, Dr. A. S. Narag, Dr. M. Ravi Kanth, Smt. Sarita Prasad, Directors were the members of the Shareholders'/Investors' Grievance Committee. Further, on completion of tenure of Shri Anil K. Agarwal and Dr. A. S. Narag on 10.07.2011, and Smt. Sarita Prasad on 04.08.2011, the Shareholders'/Investors' Grievance Committee was reconstituted w.e.f. 04.08.2011 with Shri V. M. Kaul, Dr. M. Ravi Kanth, Shri R. T. Agarwal, Directors as members on the Shareholders'/Investors' Grievance Committee. On appointment of two Independent Directors on the Board of POWERGRID w.e.f. 27.12.2011, the Shareholders'/Investors' Grievance Committee was again reconstituted on 23.01.2012 with following directors as members:

| | | |
|--------------------|-------------------|---------------------------------|
| Shri Santosh Saraf | Member & Chairman | Non-official Part-time Director |
| Smt. Rita Sinha | Member | Non-official Part-time Director |
| Shri V. M. Kaul | Member | Director (Personnel) |
| Shri R. T. Agarwal | Member | Director (Finance) |

Two meetings of the Shareholders'/Investors' Grievance Committee were held during the financial year 2011-12 on 23rd February, 2012 and 26th March, 2012, respectively.

Attendance at Shareholders'/Investors' Grievance Committee meeting during the Financial Year 2011-12:

| Name | Shareholders'/Investors' Grievance Committee Meeting held during the tenure | |
|--------------------------------------|---|----------|
| | Held | Attended |
| Shri Santosh Saraf, Director | 2 | 2 |
| Smt. Rita Sinha, Director | 2 | 1 |
| Shri V.M. Kaul, Director (Personnel) | 2 | 1 |
| Shri R.T. Agarwal, Director(Finance) | 2 | 2 |

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 31st March, 2012, the 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:

| S.No. | Description | Opening Balance | Received | Attended | Pending |
|-------|----------------------------------|-----------------|-------------|-------------|------------|
| 1 | Non receipt of refund orders | 0 | 270 | 270 | 0 |
| 2 | Non receipt of dividend warrants | 0 | 127 | 127 | 0 |
| 3 | SEBI | 4 | 1544 | 1319 | 229 |
| 4 | Stock Exchange | 0 | 121 | 121 | 0 |
| 5 | Advocate Notices | 4 | 100 | 104 | 0 |
| 6 | Consumer Forum/Court cases | 0 | 15 | 15 | 0 |
| | Total | 8 | 2177 | 1956 | 229 |

Investor complaints pending as on 31st March, 2012 have been subsequently attended.

Shares lying in Share Escrow Account

In pursuance of Clause 5A I (g) of the Listing Agreement, it is disclosed that :

- In respect of your Company's IPO, shares lying in the Suspense Account as on 01.04.2011 were 44260 consisting of 228 shareholders.
- In respect of FPO, shares lying in the Suspense Account as on 01.04.2011 were 14207 consisting of 67 shareholders.
- In respect of IPO, 7 shareholders had approached POWERGRID for transfer of 1044 shares from suspense account during 2011-12 and POWERGRID transferred 1044 shares related to 7 shareholders during the year 2011-12.
- In respect of FPO, 17 shareholders had approached POWERGRID for transfer 3377 shares for suspense account during 2011-12 and POWERGRID transferred 3377 related to 17 shareholders during the year 2011-12.
- In respect of IPO, shares lying in Suspense Account were 43216 consisting of 221 shareholders.
- In respect of FPO, shares lying in Suspense Account were 10830 consisting of 50 shareholders.

The voting rights on the shares in demat suspense account shall remain frozen till the rightful owner of such shares claims the shares. These shares are lying in the demat form in a Pool Account with the Registrars i.e. M/s Karvy Computershare Pvt. Ltd. and the benefits accrued on them are being properly accounted for.

3.3 Remuneration Committee for : (a) Board Level Executives and (b) Below Board Level Executives

POWERGRID had constituted Remuneration Committee for (a) Board Level Executives and (b) Below Board Level Executives in April, 2009. Since, all the members of the Committee ceased to be Directors, the Remuneration Committee for: (a) Board Level Executives and (b) Below Board Level Executives has been reconstituted in June, 2012 with the following Directors as members of the Committee:

(a) Board Level Executives:

| | | |
|--------------------|-------------|---------------------------------|
| Smt. Rita Sinha | Chairperson | Non-official Part-time Director |
| Shri Santosh Saraf | Member | Non-official Part-time Director |
| Smt. Rita Acharya | Member | Jt. Secy., MOP |

(b) Below Board Level Executives:

| | | |
|--------------------|-------------|---------------------------------|
| Smt. Rita Sinha | Chairperson | Non-official Part-time Director |
| Shri Santosh Saraf | Member | Non-official Part-time Director |
| Shri R. N. Nayak | Member | CMD |

| | | |
|--------------------|--------|----------------------|
| Shri R. T. Agarwal | Member | Director (Finance) |
| Shri Ravi P. Singh | Member | Director (Personnel) |
| Smt. Rita Acharya | Member | Jt. Secy., MOP |

3.4 Committee on Investment on Projects

The Board has constituted this Committee of Directors to consider investment sanction for new projects and Revised Cost Estimate proposals of ongoing projects as may be required from the Board. As on 31st March, 2012, the Committee comprised the following members:

- | | | |
|---------------------------------|---|----------|
| i) Chairman & Managing Director | – | Chairman |
| ii) Director (Finance) | – | Member |
| iii) Director (Projects) | – | Member |
| iv) Shri Rakesh Jain | – | Member |
| v) Smt. Rita Acharya | – | Member |

3.5 Committee on Award of Contracts

This Committee of Directors has been constituted for approval of award of contracts of value more than ₹ 30 Cr. but not exceeding ₹ 100 Cr. As on 31st March, 2012, the following Directors were members of the Committee:

- Shri R. N. Nayak, CMD – Chairman
- Shri I. S. Jha, Director (Projects) – Member
- Shri R. T. Agarwal, Director (Finance) – Member
- Smt. Rita Acharya, Joint Secretary, MOP – Member

3.6 Committee for Transfer/Split/Rematerialization/Dematerialization of Shares

The Company has constituted a Committee of Directors for Transfer/ Split/ Rematerialisation/ Dematerialization etc. and other related issues. As on 31st March, 2012, the Committee comprised the following Directors as members:

- Director (Personnel)
- Director (Projects) and
- Director (Finance)

Share Transfers effected during the year have been well within the time prescribed by the Stock Exchanges.

3.7 Committee for Bonds

The Board of Directors of the Company has constituted a Committee of Directors to consider and approve allotment, transfer, transmission, splitting and consolidation of POWERGRID Bonds/Allotment Letters and other matters relating to the Bonds including appointment of Merchant Bankers, Registrar to the Issue etc. As on 31st March, 2012, the Committee for Bonds comprised the following members:

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

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

This Committee of Directors was constituted to conduct RGGVY Programme of Govt. of India. The power of this committee is to award the contracts relating to RE, APDRP and other Deposit Works for more than ₹ 30 Cr. and up to ₹ 100 Cr. As on 31st March, 2012, CMD, Director (Finance), Director (Projects), Director (Personnel) and Director (Operations) are the members of the Committee.

3.9 Sustainable Development Committee

POWERGRID has constituted a Sustainable Development Committee in line with the requirement of Department of Public Enterprises' Guidelines on Sustainable Development (SD) for Central Public Sector Enterprises. As on 31st March, 2012 the Committee comprised the following members:

- | | | |
|---|---|------------------------------------|
| i) Ms. Rita Sinha, Independent Director | – | Member & Chairman of the Committee |
| ii) Director (Projects) | – | Member |
| iii) Director (Finance) | – | Member |
| iv) Director (Personnel) | – | Member |

4. Remuneration of Directors

POWERGRID, being a Government Company, the appointment, tenure and remuneration of Directors is decided by the President of India. Remuneration paid to Chairman & Managing Director and Functional Directors during the Year 2011-12 was as per terms and conditions of their appointment. Independent Directors are paid only sitting fees per Board / Committee meeting attended {rate fixed by the Board within the ceiling fixed for payment of sitting fees without Government approval under the Rule 10B of the Companies (Central Government's) General Rules and Forms, 1956 read with the Section 310 of 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 2011-12 is as under:

| S No. | Directors | Designation | Salary (in ₹) | Benefits (in ₹) | Bonus / Commission (in ₹) | Performance Linked Incentive (in ₹) | Total (in ₹) |
|-------|---|-------------------------------|---------------|-----------------|---------------------------|-------------------------------------|--------------|
| 1. | Shri R. N. Nayak (From 01.09.2011 to 31.03.2012) | Chairman & Managing -Director | 858640 | 414009 | - | 348600 | 1621249 |
| 2. | Shri R. N. Nayak (From 01.04.2011 to 31.08.2011) | Director (Operations) | 582220 | 422572 | - | 981688 | 1986480 |
| 3. | Shri I. S. Jha | Director (Projects) | 1425998 | 1860870 | - | 1085861 | 4372729 |
| 4. | Shri R. T. Agarwal (From 29.07.2011 to 31.03.2012) | Director (Finance) | 915375 | 406176 | - | 643860 | 1965411 |
| 5. | Shri V. M. Kaul | Director (Personnel) | 1439658 | 1414136 | - | 1314542 | 4168336 |
| 6. | Shri S.K. Chaturvedi (From 01.04.2011 to 31.08.2011) | Chairman & Managing -Director | 628469 | 528024 | - | 1493546 | 2650039 |
| 7. | Shri J. Sridharan (From 01.04.2011 to 30.04.2011) | Director (Finance) | 124266 | 61094 | - | 943081 | 1128441 |

The Government nominee Directors on the POWERGRID's Board do not draw any remuneration/ sitting fee for attending Board/ Committee meetings from the Company. The Independent Directors were paid sitting fee of ₹ 15,000/- for attending Board/ Committee Meetings.

Details of Payment made towards sitting fee to Independent Directors during the year 2011-12 are given below:

(₹ in lacs.)

| Name of Non-official Part-time Directors | Sitting Fees | | Total (₹) |
|--|-------------------|---|-----------|
| | Board Meeting (₹) | Committee of Board of Directors Meeting (₹) | |
| Shri Santosh Saraf | 0.75 | 0.45 | 1.20 |
| Smt. Rita Sinha | 0.45 | 0.30 | 0.75 |
| Dr. P. K. Shetty | 0.80 | - | 0.80 |
| Dr. A. S. Narag | 0.80 | 0.40 | 1.20 |
| Shri Anil K. Agarwal | 0.60 | 1.00 | 1.60 |
| Shri F. A. Vandrevala | 0.80 | 1.00 | 1.80 |
| Smt. Sarita Prasad | 1.00 | 0.80 | 1.80 |

As on 31.03.2012 the Directors' Shareholding was as under:

| S.No. | Name of Directors | No. of Equity Shares Held |
|-------|-------------------|---------------------------|
| 1 | Shri R. N. Nayak | 11,721 |
| 2 | Shri I. S. Jha | 2,998 |

| | | |
|---|--------------------|-------|
| 3 | Shri R. T. Agarwal | 4,056 |
| 4 | Shri V. M. Kaul | 7,213 |
| 5 | Shri Rakesh Jain | - |
| 6 | Smt. Rita Acharya | - |
| 7 | Shri Santosh Saraf | 1190 |
| 8 | Smt. Rita Sinha | - |

5. 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 |
|---------|----------------------------------|------------|--|--------------------|
| 2008-09 | 9 th September, 2009 | 10.00 a.m. | Air Force Auditorium, Subroto Park, New Delhi-110 010 | NIL |
| 2009-10 | 24 th September, 2010 | 10.00 a.m. | Air Force Auditorium, Subroto Park, New Delhi-110 010 | NIL |
| 2010-11 | 19 th September, 2011 | 11.00 a.m. | NDMC Talkatora Indoor Stadium, Talkatora Garden, Park Street, New Delhi – 110 001. | NIL |

Resolutions passed through Postal Ballot

Ordinary Resolution was passed for inclusion of additional projects for utilization & rescheduling of POWERGRID's FPO Proceeds.

Notice dated 6th January, 2012, was served to all shareholders for voting through postal ballot as per the provisions of Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 and said resolution was approved by the shareholders on 24th February, 2012. Ms. Savita Jyoti, Practicing Company Secretary was appointed as scrutinizer for conduct of Postal Ballot. The details of the voting are as under:

| S.No. | Description | No. of Share-holders | No. of Shares | No. of Votes | Result |
|-------|-----------------|----------------------|---------------|--------------|----------------------------------|
| 1 | Votes in favour | 18560 | 3921304388 | 3921304388 | Carried with requisite majority. |
| 2 | Votes against | 270 | 61236 | 61236 | |
| 3 | Invalid Votes | 531 | 129545 | 129545 | |

6. 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 the 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 & Director (Finance) 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 any material non listed Indian Subsidiary Company.
- (IV) POWERGRID established Enterprise Risk Management Framework and Internal Control Framework for CEO/CFO Certification. General Manager (Corporate Planning) has been appointed as Chief Risk Officer of the Company.
- (V) There are no material individual transactions with related parties which are not in the normal course of business.
- (VI) There are no material individual transactions with related parties or others, which are on an arm's length basis.
- (VII) The Company has complied with 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.
- (VIII) The Balance Sheet, Profit and Loss Account and Cash Flow Statement for the financial year 2011-12 have been prepared as per the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
- (IX) 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.

7. 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 announcements made by the Company can be accessed at Company's website: www.powergridindia.com including the following:

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

Quarterly Results

| Newspapers | Date of Publication of Financial Results for the Quarter ended | | | |
|---|--|------------|------------|------------|
| | 30.06.2011 | 30.09.2011 | 31.12.2011 | 31.03.2012 |
| Economic Times / TOI / Hindustan Times / Mint / Financial Express (English) | 04.08.2011 | 24.10.2011 | 09.02.2012 | 30.05.2012 |
| Hindustan / Business Bhaskar / Dainik Jagran (Hindi) | 04.08.2011 | 25.10.2011 | 10.02.2012 | 31.05.2012 |

These Results are also displayed at Company's website www.powergridindia.com

8. Code of Conduct

The Board of Directors have 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. The 'Code of Business Conduct and Ethics for Board members' and the 'Code of Business and Ethics for Senior Management Personnel' are available at the website of the Company.

| | |
|---|---|
| Declaration required under Clause 49 of the Listing Agreement | |
| All the members of the Board and Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended 31 st March, 2012. | |
| New Delhi Dt. 04.05.2012 | Sd/- (R. N. Nayak) Chairman & Managing Director |

9. Code of Insider Trading

In pursuance of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, POWERGRID 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.

10. Shareholders' Information

i) Annual General Meeting

Date : 19th September, 2012
Time : 11.00 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 7th September, 2012 to 19th September, 2012 (both days inclusive).

iv) Payment of dividend

The Board of Directors of the Company has recommended payment of a final Dividend of 13.1% (₹ 1.31 per share) for the financial year ended 31st March, 2012 in addition, an Interim Dividend of 8% (₹ 0.80 per share) was paid on 23rd February, 2012. (Dividend paid in the Previous Year was ₹ 810.23 Crore).

v) Dividend History

| Year | Total Paid-up Capital as on 31 st March of the Year (₹ in Crore) | Total Amount of Dividend Paid for the Financial Year (₹ 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 | 505.08 | 18.09.2008 | 03.10.2008 |
| 2008-09 | 4208.84 | 505.08 | 09.09.2009 | 29.09.2009 |
| 2009-10 | 4208.84 | 631.34 | 24.09.2010 | 19.10.2010 |
| 2010-11 | 4629.73 | 810.23 | 19.09.2011 | 07.10.2011 |
| 2011-12 | 4629.73 | 370.38* | 08.02.2012** | 23.02.2012# |

* Amount of Interim Dividend

** Date of Board Meeting

Date of Payment of Interim Dividend

vi) Listing on Stock Exchange

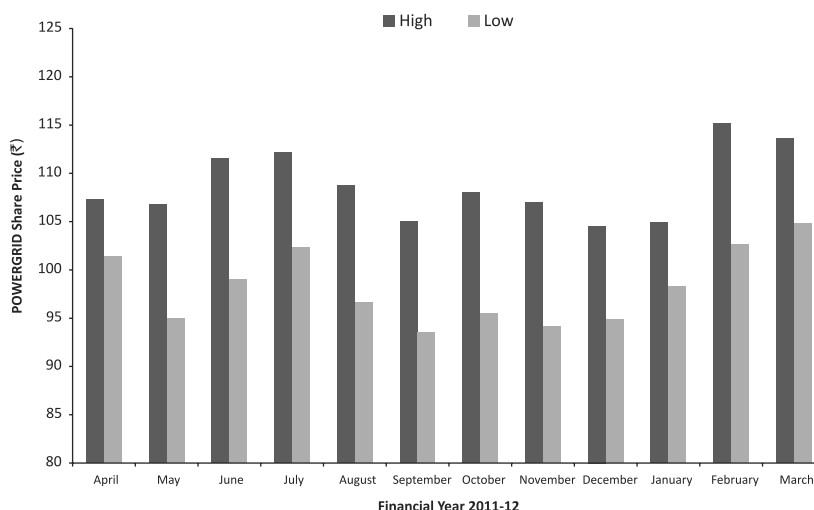
POWERGRID equity shares are listed on the following Stock Exchanges:

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

vii) Market Price Data - NSE

| | High (₹) | Low (₹) | Total Number of Shares Traded |
|-----------------|----------|---------|-------------------------------|
| April, 2011 | 107.25 | 101.35 | 54493728 |
| May, 2011 | 106.8 | 95 | 51811836 |
| June, 2011 | 111.5 | 99 | 99937237 |
| July, 2011 | 112.2 | 102.35 | 84219910 |
| August, 2011 | 108.7 | 96.6 | 82432952 |
| September, 2011 | 105 | 93.5 | 70961052 |
| October, 2011 | 108 | 95.5 | 47067953 |
| November, 2011 | 107 | 94.15 | 60665288 |
| December, 2011 | 104.55 | 94.9 | 64551363 |
| January, 2012 | 104.95 | 98.3 | 81413307 |
| February, 2012 | 115.2 | 102.65 | 113141307 |
| March, 2012 | 113.6 | 104.8 | 64688667 |

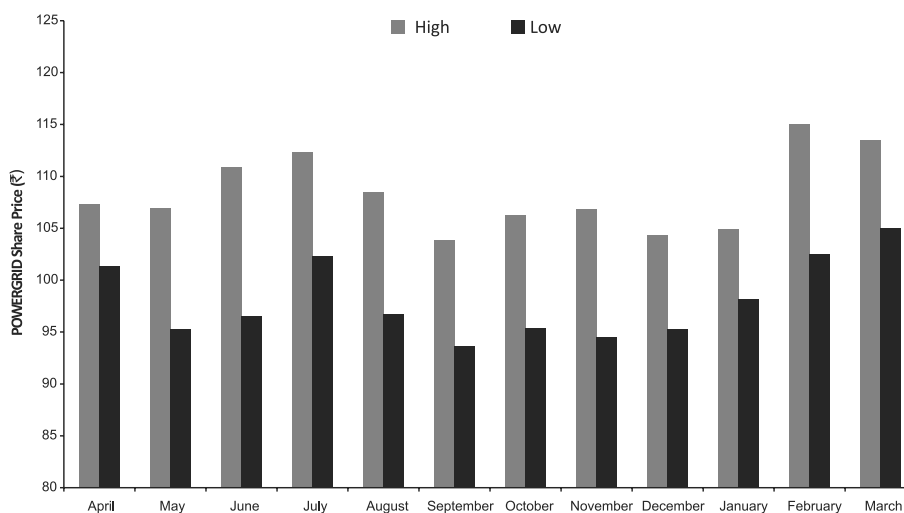
NSE Monthly High & Low Prices



viii) Market Price Data - BSE

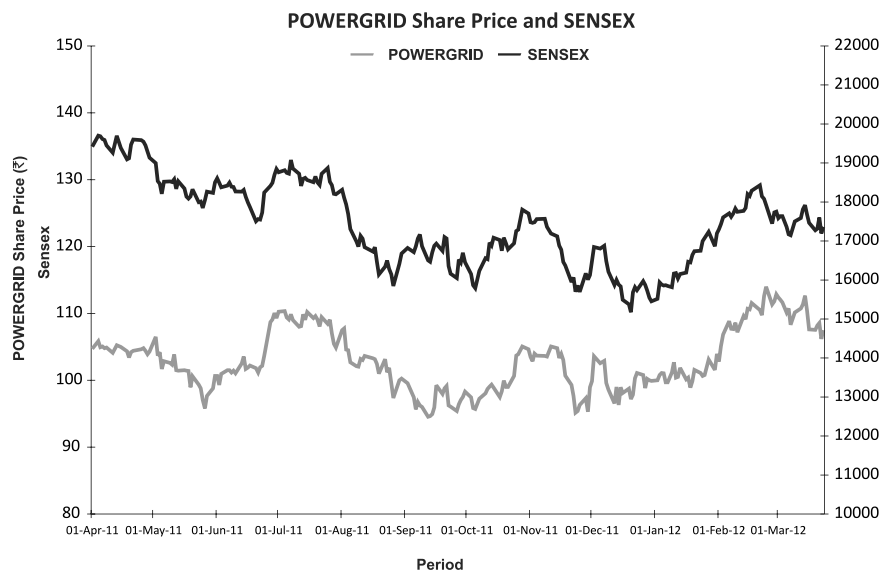
| | High (₹) | Low (₹) | Total Number of Shares Traded |
|-----------------|----------|---------|-------------------------------|
| April, 2011 | 107.3 | 101.3 | 685989124 |
| May, 2011 | 106.9 | 95.25 | 628483338 |
| June, 2011 | 110.9 | 96.55 | 1193848226 |
| July, 2011 | 112.35 | 102.3 | 1303708336 |
| August, 2011 | 108.5 | 96.7 | 1144344188 |
| September, 2011 | 103.9 | 93.6 | 657245277 |
| October, 2011 | 106.25 | 95.35 | 412783306 |
| November, 2011 | 106.8 | 94.55 | 425379442 |
| December, 2011 | 104.35 | 95.25 | 369601960 |
| January, 2012 | 104.95 | 98.15 | 515294199 |
| February, 2012 | 115 | 102.5 | 1237623952 |
| March, 2012 | 113.5 | 105 | 890606734 |

SENSEX Monthly High & Low Prices

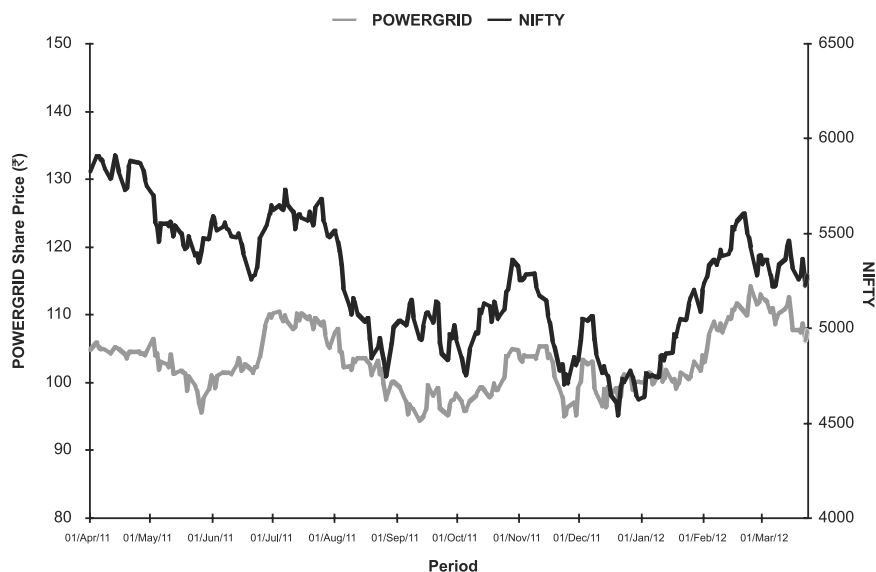


Financial Year 2011-12

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



POWERGRID Share Price and NIFTY



x) Registrar and Transfer Agents.

EQUITY SHARES

Karvy Computershare Pvt. Ltd.
Plot No.: 17 to 24, Vittalrao Nagar,
Madhapur, Hyderabad - 500 081
Ph: 040-2340815 to 824
Fax:- 040-23420814
E-mail: einward.ris@karvy.com

BONDS

MCS Limited,
F-65, Okhla Industrial Area,
Phase-I, New Delhi- 110 020.
Ph: 011-41406148/49/51
Telefax.: 011-41406148
E-mail : 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 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) Shareholding as on 31st March, 2012

Shares held by different categories of shareholders and according to the size of the holdings as on 31st March, 2012 are given below:

According to Size

a. Distribution of shareholding according to size, % of holding as on 31st March, 2012:

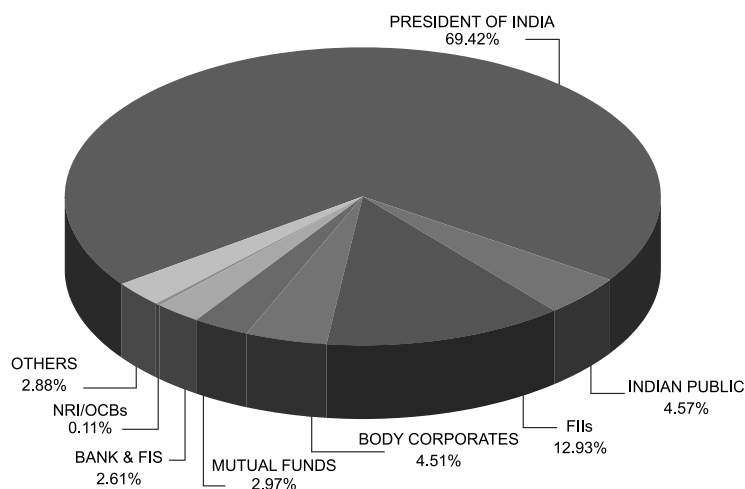
| Category | Cases | % of Cases | Amount | % Amount |
|---------------|--------|------------|---------------|----------|
| 1-5000 | 919565 | 93.11 | 1492220130.00 | 3.22 |
| 5001 - 10000 | 50957 | 5.16 | 345314250.00 | 0.75 |
| 10001 - 20000 | 10062 | 1.02 | 143990660.00 | 0.31 |
| 20001 - 30000 | 2421 | 0.25 | 60416270.00 | 0.13 |
| 30001 - 40000 | 1081 | 0.11 | 38607420.00 | 0.08 |

| | | | | |
|----------------|---------------|---------------|-----------------------|---------------|
| 40001 - 50000 | 812 | 0.08 | 37808690.00 | 0.08 |
| 50001 - 100000 | 1250 | 0.13 | 89439460.00 | 0.19 |
| 100001 & Above | 1439 | 0.15 | 44089456650.00 | 95.23 |
| Total: | 987587 | 100.00 | 46297253530.00 | 100.00 |

b. Shareholding pattern as on 31st March, 2012

| Sl. No. | Category | Total Shares | % To Equity |
|---------|--------------------|-------------------|-------------|
| 1 | PRESIDENT OF INDIA | 3214024212 | 69.42 |
| 2 | PROMOTERS | 0 | 0.00 |
| 3 | INDIAN PUBLIC | 211773731 | 4.57 |
| 4 | FIIIs | 598823043 | 12.93 |
| 5 | BODIES CORPORATE | 208870148 | 4.51 |
| 6 | MUTUAL FUNDS | 137369027 | 2.97 |
| 7 | BANKS & FI | 120647094 | 2.61 |
| 8 | NRI/OCBs | 5061584 | 0.11 |
| 9 | Others | 133156514 | 2.88 |
| | Total | 4629725353 | 100 |

Shareholding Pattern as on 31st March, 2012



c. Major Shareholders

Details of Shareholders holding more than 1% of the paid-up capital of the Company as on 31st March, 2012 are given below:

| Sl. No | Name of the shareholder | Shares | % Equity | Category |
|--------|---|------------|----------|----------|
| 1 | PRESIDENT OF INDIA | 3112754412 | 67.23 | POI |
| 2 | EUROPACIFIC GROWTH FUND | 144130336 | 3.11 | FII |
| 3 | PRESIDENT OF INDIA | 101269800 | 2.19 | POI |
| 4 | LIFE INSURANCE CORPORATION OF INDIA | 99209203 | 2.14 | INS |
| 5 | ICICI PRUDENTIAL LIFE INSURANCE COMPANY LTD | 92343202 | 1.99 | LTD |
| 6 | AMERICAN FUNDS INSURANCE SERIES INTERNATIONALFUND | 58601640 | 1.27 | FII |

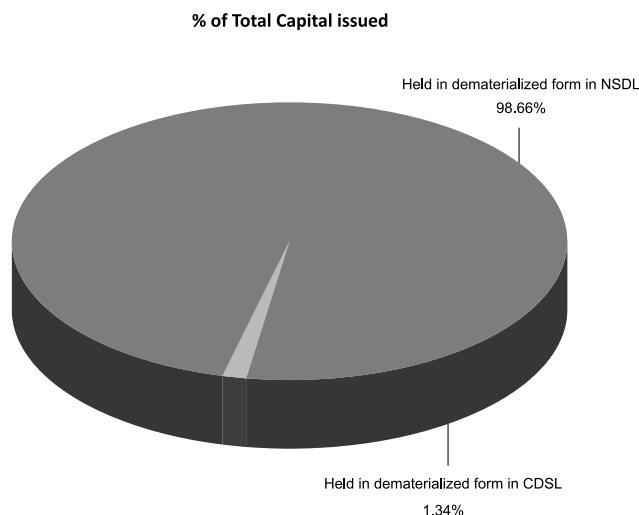
xiii) Dematerialization of Shares

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 Half-yearly Audit Reports for reconciliation of the share capital of the Company obtained from Practicing Company Secretary have been submitted to Stock Exchange within stipulated time.

No. of shares held in dematerialized and physical mode:

| S.No | | Number of Holders | Number of Shares | % of total capital issued |
|------|-------------------------------------|-------------------|-------------------|---------------------------|
| 1 | Physical | 12669 | 42515 | 0.00 |
| 2 | Held in dematerialized form in NSDL | 688512 | 4567608789 | 98.66 |
| 3 | Held in dematerialized form in CDSL | 286406 | 62074049 | 1.34 |
| | Total | 987587 | 4629725353 | 100.00 |



The name and addresses of the Depositories are as under:

1. National Securities Depository Limited
Trade World, 4th Floor, Kamala Mills Compound,
Senapathi Bapat Marg, Lower Parel, Mumbai – 400 013.
2. Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers,
17th 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 (w.e.f. 21.05.2012) Shri Ravi P. Singh Director (Personnel) E-mail ID | 0124-2571901-02 ravipsingh@powergridindia.com | 0124-2571903 |
| Company Secretary Ms. Divya Tandon E-mail ID | 0124-2571968 dtandon@powergridindia.com | 0124-2571969 |

Dispatch of documents in electronic form (GREEN INITIATIVE)

The MCA vide Circulars Nos. 17/2011 and 18/2011 dated April 21, 2011 respectively (the said Circulars), has clarified that a company would be deemed to have complied with the provisions of Sections 53 and 219(1) of the Companies Act, 1956, in case documents like notice, annual report, etc., are sent in electronic form to its shareholders, subject to compliance with the conditions stated therein.

Further, in terms of Clause 32 of the listing agreements, which was amended vide Circular No. CIR/CFD/DIL/2011 dated October 5, 2011 issued by SEBI, listed companies are required to supply soft copies of the said documents to all shareholders who have registered their email address(es) for the purpose.

Accordingly, the said documents will be sent by e-mail to those members who have registered their e-mail address(es) with their DP/the Company, in terms of the said Clause

For and on behalf of the Board of Directors



(R. N. Nayak)

Chairman & Managing Director

Place: New Delhi
Date: 09.08.2012

Annexure to the Corporate Governance Report

Non-Mandatory Requirements

1. **The Board:** The Company is headed by an executive Chairman. No person has been appointed as independent director who has been a Director, in the aggregate, exceeding a period of nine years on the Board of POWERGRID.
2. **Remuneration Committee:** POWERGRID constituted Remuneration Committee for deciding the performance related pay in terms of the DPE directive. The performance related pay of POWERGRID employees and full time Directors is decided by the Remuneration Committee.
3. **Shareholder Rights:** The financial results for the half year ended 30th September, 2011 were published in Times of India and Economics Times dated 23rd & 24th October, 2011, respectively 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.
4. **Audit qualifications:** The financial statement for the year 2011-12 has no audit qualifications.
5. **Training of Board Members:** A presentation on operations of the Company and various issues were given to the Directors, including:
 - ✓ Overview of POWERGRID
 - ✓ Commercial Issues
 - ✓ Capacity Utilization vis-à-vis Transmission Network
 - ✓ Regulatory Insight
 - ✓ Grid Management
 - ✓ Technology Initiatives
 - ✓ Long Term Open Access;
 - ✓ Telecom Business.
 - ✓ International Business
 - ✓ Other notifications issued by the CERC from time to time, etc.
6. **Whistle Blower Policy:** The Company has separate Vigilance Department which deals with fraud or suspected fraud involving employees/representatives of suppliers, contractors, consultants, service provider or any other party doing business with POWERGRID. Whistle Blower Policy has been approved by the Board of Directors and implemented in July, 2011.

Certificate on Corporate Governance:

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

Certificate on Corporate Governance

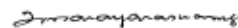
To
The Members,
Power Grid Corporation of India Limited

I have examined the compliance of conditions of corporate governance by Power Grid Corporation of India Limited, for the year ended on 31st March, 2012 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 us, I certify that except the composition of the Board of Director, particularly with regard to the appointment of directors by the President of India instead of pursuant to the provisions of section 255 of the Companies Act, 1956 as indicated in paragraph 2.1 and the number of independent directors the company is short of the requirements spelt out in clause 49 of the Listing Agreement with the stock exchanges as indicated in paragraph 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 which the management has conducted the affairs of the Company.



(T.V. NARAYNASWAMY)
COMPANY SECRETARY

Place : New Delhi
Date: 25.07.2012

Secretarial Audit Report

The Board of Directors

Power Grid Corporation of India Limited,

New Delhi

We have examined the registers, records and documents of Power Grid Corporation of India Limited (hereinafter referred to as "the Company") for the financial year ended on March 31, 2012 according to the provisions of-

- The Companies Act, 1956 ("the Act") and the Rules made thereunder;
 - The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SBI Act')
 - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 2011;
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - The Equity Listing Agreements with BSE Limited and National Stock Exchange of India Limited.
 - The regulations as contained in Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000 (FEMA Regulations).
1. Based on our examination and verification of the registers, records and documents produced before us and according to the information and explanations given to us by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company during the audit period covering the financial year ended on 2011-12 has complied with the provisions of the Act and the Rules made thereunder and the Memorandum and Articles of Association of the Company, with regard to:
- I. maintenance of various statutory registers and documents and making necessary entries therein;
 - II. closure of the Register of Members;
 - III. forms, returns, documents and resolutions required to be filed with the Registrar of Companies, NCT of Delhi & Haryana, Stock Exchanges and the Central Government;
 - IV. service of documents by the Company on its Members, Bond holders and Bond Trustees;
 - V. notice of the Board Meetings and Committee meetings of Directors;
 - VI. the meetings of Directors and Committees of Directors including passing of resolutions by circulation;
 - VII. the 22nd Annual General Meeting held on September 19th, 2011;
 - VIII. minutes of proceedings of General Meetings (including Postal Ballot under Section 192A of the Act thereof) and of Board and its Committees;
 - IX. approvals of the Members, the Board of Directors, the Committees of Directors and government authorities, wherever required;
 - X. constitution of the Board of Directors/Committee(s) of Directors and appointment & retirement of Directors;
 - XI. payment of remuneration to the Directors including the Managing Director and Whole- time Directors;
 - XII. appointment and remuneration of Auditors and Cost Auditors;
 - XIII. payment of interest on bonds and redemption of bonds;
 - XIV. declaration and payment of dividend;
 - XV. borrowings and registration of charges;

- XVI. investment of the Company's funds including loans and investments;.
- XVII. form of Balance Sheet as prescribed under Part I of Schedule VI to the Act and requirements as to Profit & Loss Account as per Part II of the said Schedule;
- XVIII. contracts, common seal, registered office and publication of name of the Company;
2. We further report that:
- I. the Directors have complied with the requirements as to disclosure of interests and concerns in contracts and arrangements, shareholdings and directorships in other companies and interests in other entities;
- II. the Directors have complied with the disclosure requirements in respect of their eligibility of appointment, their being independent and compliance with the code of Business Conduct & Ethics for Directors and Management Personnel.
- III. the Company has obtained all necessary approvals under the various provisions of the Act, wherever applicable;
- IV. during the period of Audit, there was no prosecution initiated against or show cause notice received, by the Company, its Directors and Offices under the provisions of the Act, SEBI Act, FEMA Regulations and Listing Agreement(s).
3. We further report that:
- I. the Company has complied with the requirements under the Equity Listing Agreements entered into with the BSE Limited and the National Stock Exchange of India Limited.
- II. the Company has complied with the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations 2011.
- III. the Company has complied with the provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 including the provisions with regard to disclosures and maintenance of records required under the Regulations.
- IV. the Company has complied with the provisions of Foreign Exchange Management (Transfer or issue of Security by a person resident outside India) Regulations, 2000.

**For SANJAY GROVER & ASSOCIATES
COMPANY SECRETARIES**

Sd/-

SANJAY GROVER
C.P. No. 3850

Date: 23.07.2012
Place: New Delhi

ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared on accrual basis of accounting under the historical cost convention and in accordance with generally accepted accounting principles in India and the relevant provisions of the Companies Act, 1956 including Accounting Standards notified thereunder.

1.2 USE OF ESTIMATES

The preparation of financial statements requires estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses during the reporting period. Although, such estimates and assumptions are made on a reasonable and prudent basis taking into account all available information, actual results could differ from these estimates and assumptions and such differences are recognized in the period in which the results are crystallized.

1.3 RESERVES AND SURPLUS

Self insurance reserve is created @ 0.1% p.a. on Gross Block of Fixed Assets (except assets covered under mega insurance policy) 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'.

1.4 GRANTS-IN-AID

1.4.1 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.

1.4.2 On capitalization of related assets, grants received for specific depreciable assets are treated as deferred income and recognized in the Statement of Profit and Loss over the useful life of related asset and in proportion to which depreciation on these assets is provided.

1.5 FIXED ASSETS

1.5.1 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.

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

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

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

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

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

1.5.7 Insurance spares, which can be used only in connection with an item of fixed asset and whose use is expected to be at irregular intervals are capitalized and depreciated over the residual useful life of the related plant & machinery. In case the year of purchase and consumption is same, amount of insurance spares are charged to revenue.

1.5.8 Mandatory spares in the nature of sub-station equipments /capital spares i.e. stand-by/service/rotational equipment and unit assemblies either procured along with the equipments or subsequently, are capitalized and depreciation is charged in accordance with the relevant accounting standard. In case the year of purchase & consumption is same, amount of mandatory spares are charged to revenue.

1.6 CAPITAL WORK IN PROGRESS (CWIP)

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

1.6.2 Expenditure of Corporate office, Regional Offices and Projects, attributable to construction of fixed assets are identified and allocated on a systematic basis to the cost of the related assets.

- 1.6.3 Interest during construction and expenditure (net) allocated to construction as per policy No. 1.6.2 above (allocated to the projects on prorate basis to their capital expenditure), are apportioned to capital work in progress (CWIP) on the closing balance of Specific asset or part of asset being capitalized. Balance, if any, left after such capitalization is kept as a separate item under the CWIP Schedule .
- 1.6.4 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors or technical assessment of work completed.
- 1.6.5 Unsettled liability for price variation/ exchange rate variation in case of contracts are accounted for on estimated basis as per terms of the contracts.
- 1.7 INTANGIBLE ASSETS**
- 1.7.1 The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognized as an intangible assets in the books of accounts when the same is ready for its use.
- 1.7.2 Afforestation charges paid for acquiring right-of-way of laying transmission lines are accounted for as intangible assets and same are amortized following the rates and methodology notified by Central Electricity Regulatory Commission (CERC) Tariff Regulation.
- 1.8 CONSTRUCTION STORES**
- Construction stores are valued at cost.
- 1.9 BORROWING COST**
- 1.9.1 All the borrowed funds (except short term funds for working capital) are earmarked to specific projects. The borrowing costs (including bond issue expenses, interest, front end fee, guarantee fee, management fee etc.) are allocated to the projects in proportion to the funds so earmarked.
- 1.9.2 The borrowing costs so allocated are capitalised or charged to revenue, based on whether the project is under construction or in operation.
- 1.9.3 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 treated as borrowing cost.
- 1.10 TRANSACTION IN FOREIGN CURRENCY**
- 1.10.1 Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of transaction. Foreign currency monetary items are translated with reference to the rates of exchange ruling on the date of the Balance Sheet. Non-monetary items denominated in foreign currency are reported at the exchange rate ruling on the date of transaction.
- 1.10.2 FERV (except the amount considered as 'borrowing cost' under para 1.9.3 above) arising on settlement / translation of foreign currency loans is adjusted to carrying cost of capital work-in-progress/fixed assets in case of capital assets irrespective of whether the project is under construction or operation.
- 1.10.3 FERV accounted for as per policy no 1.9.3 & 1.10.2 is recoverable/payable from the beneficiaries on actual payment basis as per Central Electricity Regulatory Commission (CERC) norms w.e.f 1st April, 2004 or Date of Commercial Operation (DOCO) whichever ever is later.
- The above FERV to the extent recoverable or payable as per CERC norms is accounted for as follows:
- FERV recoverable or payable is apportioned into (i) amount adjusted to carrying cost of fixed assets and (ii) amount recognized as income/expense in the Statement of Profit and Loss in the same proportion in which FERV is apportioned between carrying cost of fixed assets and Statement of Profit & Loss.
 - 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'
 - FERV recoverable/payable adjusted in Statement of 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 'Statement of Profit & Loss'
 - 'Deferred income/expenditure from foreign currency fluctuation a/c' is amortized in the proportion in which depreciation is charged on such FERV.
 - 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 debit/credit to the debtors.

- 1.10.4 a) FERV charged to Statement of Profit & Loss upto 31.03.2011 & included in the capital cost for the purpose of tariff is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c'.
- b) Transmission charges on such amount is adjusted against 'Deferred foreign currency fluctuation asset/liability a/c' in the following manner:
- i) Depreciation component of transmission charges (being 90% of such FERV) is adjusted against Deferred foreign currency fluctuation asset/liability a/c.
- ii) Balance 10% is adjusted against the transmission charges over the tenure of respective loan.
- 1.10.5 FERV arising out of settlement/translation of long term monetary items (other than foreign currency loans) relating to fixed assets/CWIP are adjusted in the carrying cost of related assets.
- 1.10.6 FERV arising during the construction period from settlement/translation of monetary items denominated in foreign currency (other than long term) to the extent recoverable/payable to the beneficiaries as capital cost as per CERC tariff Regulation are accounted as 'Deferred foreign currency fluctuation asset/liability a/c'. Transmission charges on such amount is adjusted against above account.
- 1.10.7 Other exchange differences are recognized as income or expenses in the period in which they arise.
- 1.11 INVESTMENTS**
- 1.11.1 Current investments are valued at lower of cost and fair value determined on an individual investment basis.
- 1.11.2 Long term investments are carried at cost. Provision is made for diminution other than temporary, in the value of such investments.
- 1.12 INVENTORIES**
- 1.12.1 Inventories are valued at lower of the cost, determined on weighted average basis, and net realizable value.
- 1.12.2 Steel scrap and conductor scrap are valued at estimated realizable value or book value, whichever is less.
- 1.12.3 Mandatory spares of consumable nature and transmission line items are treated as inventory after commissioning of the system.
- 1.12.4 Surplus materials as determined by the management are held for intended use and are included in the inventory.
- 1.12.5 The diminution in the value of obsolete, unserviceable and surplus stores and spares is ascertained on review and provided for.
- 1.13 DEFERRED REVENUE EXPENDITURE**
- Deferred revenue expenditure incurred 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.
- 1.14 REVENUE RECOGNITION**
- 1.14.1 Transmission Income is accounted for based on tariff orders notified by CERC. In case of transmission projects where final tariff orders are yet to be notified, transmission income is accounted for as per tariff norms and other amendments notified by CERC in similar cases. Difference, if any, is adjusted based on issuance of final notification of tariff orders by CERC. Transmission Income in respect of additional capital expenditure incurred after the date of commercial operation is accounted based on actual expenditure incurred on year to year basis as per tariff norms of CERC.
- 1.14.2 Income from short term open access is accounted for on the basis of regulations notified by CERC.
- 1.14.3 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.
- 1.14.4 ADVANCE AGAINST DEPRECIATION**
- 1.14.4.1 Advance against depreciation (AAD), forming part of tariff pertaining upto the block period 2004-09, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.
- 1.14.4.2 The outstanding deferred income in respect of AAD is recognized as transmission income, after 12 years from the end of the financial year in which the asset was commissioned, to the extent depreciation recovered in the tariff during the year is lower than depreciation charged.

- 1.14.5 Surcharge recoverable from trade receivables and liquidated damages / warranty claims / interest on advances to suppliers are recognized when no significant uncertainty as to measurability and collectability exists.
- 1.14.6 Telecom income is accounted for on the basis of terms of agreements/ purchase orders from the customers.
- 1.14.7 Income from sole consultancy contracts are accounted for on technical assessment of progress of services rendered.
- 1.14.8 In respect of 'Cost-plus-consultancy contracts', involving execution on behalf of the client, income is accounted for (wherever initial advances received) in phased manner as under:
- 10% on issue of Notice Inviting Tender for execution
 - 5% on Award of Contracts for execution
 - Balance 85% on the basis of actual progress of work including supplies
- 1.14.9 Application Fees received on account of Long Term Open Access (LTOA) Charges is accounted for as and when received in accordance with CERC Guidelines.
- 1.14.10 Scrap other than steel scrap & conductor scrap are accounted for as and when sold.
- 1.14.11 Dividend income is recognized when right to receive payment is established.

1.15 LEASED ASSETS – UNIFIED LOAD DESPATCH CENTRE (ULDC)

- 1.15.1 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 for as Lease Receivables under long term loans & advances. Wherever grant in-aid is received for construction of State Sector ULDC, lease receivable is accounted for net of such grant.
- 1.15.2 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.
- 1.15.3 FERV on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenure of lease. FERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.

1.16 DEPRECIATION / AMORTIZATION

- 1.16.1 Depreciation / amortization is provided on straight line method following the rates and methodology notified by CERC for the purpose of recovery of tariff except for the following assets in respect of which depreciation / amortization is provided at the rates mentioned below:

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

- 1.16.2 ULDC assets other than assets transferred to Power System Operation Corporation Limited are depreciated on Straight Line Method @ 6.67% per annum as determined by CERC for levellized tariff.
- 1.16.3 Depreciation on assets of telecom and consultancy business, is provided for on straight line method as per rates specified in Schedule XIV of the Companies Act, 1956.
- 1.16.4 Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis.
- 1.16.5 Where the cost of depreciable asset has undergone a change due to increase/decrease in long term monetary items 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, except for telecom assets where residual life is determined on the basis of rates of depreciation as specified in Schedule XIV of the Companies Act, 1956.
- 1.16.6 Plant and machinery, loose tools and items of scientific appliances, included under different heads of assets, costing ₹ 5000/- or less, or where the written down value is ₹ 5000/- or less as at the beginning of the year, are charged off to revenue.
- 1.16.7 Other fixed assets costing upto ₹ 5,000/- are fully depreciated in the year of acquisition.
- 1.16.8 Leasehold Land, other than acquired on perpetual lease, is fully amortized over the tenure of the lease or 25 years whichever is lower in accordance with the rates and methodology specified in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009.

- 1.16.9 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.

1.17 EXPENDITURE

- 1.17.1 Pre-paid/prior-period expenses/Income up to ₹100000/- are accounted for to natural heads of account.
- 1.17.2 Expenditure of research and development, other than Capital Expenditure, are charged to revenue in the year of incurrence.
- 1.17.3 Capital expenditure on assets not owned by the company is charged off to revenue as and when incurred.

1.18 IMPAIRMENT OF ASSETS

Cash generating units as defined in Accounting Standard -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.

1.19 EMPLOYEE BENEFITS

- 1.19.1 The liability for retirement benefits of employees in respect of Gratuity, is ascertained annually on actuarial valuation at the year end, is provided and funded separately.
- 1.19.2 The liabilities for compensated absences, leave encashment, post retirement medical benefits, Settlement Allowance & farewell gift to employees are ascertained annually on actuarial valuation at the year end and provided for.
- 1.19.3 Actuarial gains/losses are recognized immediately in this Statement of Profit & Loss.

1.20 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.

1.21 INCOME TAX

Income Tax comprises of current and deferred tax. Current income taxes are measured at the amount expected to be paid to the income tax authorities in accordance with Income Tax Act, 1961. Deferred tax resulting from timing difference between accounting and taxable profit is accounted for using the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Balance Sheet as at 31st March 2012

(₹ in Crore)

| Description | Note No. | As at 31st March, 2012 | As at 31st March, 2011 |
|--|----------|------------------------|------------------------|
| I. EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| (a) Share capital | 2.1 | 4629.73 | 4629.73 |
| (b) Reserves and surplus | 2.2 | 18858.05 | 16737.27 |
| | | 23487.78 | 21367.00 |
| Non-current liabilities | | | |
| (a) Long-term borrowings | 2.3 | 49119.19 | 37215.84 |
| (b) Deferred tax liabilities (Net) | 2.4 | 1600.88 | 1146.74 |
| (c) Deferred revenue | 2.5 | 2283.10 | 2347.38 |
| (d) Deferred income/(expenditure) from foreign currency fluctuation(Net) | | 493.17 | (11.59) |
| (e) Other long term liabilities | 2.6 | 1431.73 | 2826.62 |
| (f) Long-term provisions | 2.7 | 421.49 | 316.64 |
| | | 55349.56 | 43841.63 |
| Current liabilities | | | |
| (a) Short-term borrowings | 2.8 | 1650.00 | 1450.00 |
| (b) Trade payables | 2.9 | 203.35 | 196.66 |
| (c) Other current liabilities | 2.10 | 8460.99 | 6307.46 |
| (d) Short-term provisions | 2.11 | 3064.40 | 2558.82 |
| | | 13378.74 | 10512.94 |
| Total | | 92216.08 | 75721.57 |
| II. ASSETS | | | |
| Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 2.12 | 47339.78 | 36970.29 |
| (ii) Intangible assets | 2.13 | 322.52 | 253.69 |
| (iii) Capital work in progress | 2.14 | 15499.89 | 12864.63 |
| (iv) Intangible assets under development | 2.15 | 73.61 | 99.05 |
| | | 63235.80 | 50187.66 |
| (b) Construction stores | 2.16 | 12610.04 | 10749.25 |
| (c) Non-current investments | 2.17 | 1101.19 | 1214.01 |
| (d) Deferred foreign currency fluctuation asset | | 1316.67 | 328.97 |
| (e) Long-term loans and advances | 2.18 | 5614.76 | 3615.33 |
| | | 8032.62 | 5158.31 |
| Current assets | | | |
| (a) Current investments | 2.19 | 183.26 | 184.34 |
| (b) Inventories | 2.20 | 440.31 | 381.51 |
| (c) Trade receivables | 2.21 | 2315.37 | 1114.00 |
| (d) Cash and Bank balances | 2.22 | 2336.88 | 3680.06 |
| (e) Short-term loans and advances | 2.23 | 2433.69 | 2037.28 |
| (f) Other current assets | 2.24 | 628.11 | 2229.16 |
| | | 8337.62 | 9626.35 |
| Total | | 92216.08 | 75721.57 |
| Accounting Policies | 1 | | |
| Notes on Accounts | 2 | | |

Notes referred above are integral part of the Balance Sheet

For and on behalf of the Board of Directors

(Divya Tandon)
Company secretary

For S.K. Mehta & Co.
Chartered Accountants
Firm Regn No. 000478 N

(S.K.Mehta)
Partner
Membership No. 010870

Place: New Delhi
Date: 29th May, 2012

(R.T. Agarwal)
Director (Finance)
As per our report of even date
For Chatterjee & Co.
Chartered Accountants
Firm Regn No. 302114 E

(S.K.Chatterjee)
Partner
Membership No. 003124

(R. N. Nayak)
Chairman & Managing Director

For Sagar & Associates
Chartered Accountants
Firm Regn No. 003510 S

(V.Vidyasagar Babu)
Partner
Membership No. 027357

Statement of Profit and Loss for the year ended 31st March, 2012

| (₹ in Crore) | | | |
|---|----------|-------------------------------------|-------------------------------------|
| Description | Note No. | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| I. Revenue from operations | 2.25 | 10035.33 | 8388.70 |
| II. Other income | 2.26 | 749.68 | 710.05 |
| III. Total Revenue (I + II) | | 10785.01 | 9098.75 |
| IV. Expenses: | | | |
| Employee benefits expense | 2.27 | 842.97 | 745.89 |
| Finance costs | 2.28 | 1943.26 | 1625.44 |
| Depreciation and amortization expense | 2.29 | 2572.54 | 2199.39 |
| Transmission, Administration and other Expenses | 2.30 | 809.98 | 698.93 |
| Total expenses | | 6168.75 | 5269.65 |
| V. Profit before Prior period items and tax (III - IV) | | 4616.26 | 3829.10 |
| VI. Prior period items (Net) | 2.31 | 18.66 | 4.37 |
| VII. Profit before tax (V - VI) | | 4597.60 | 3824.73 |
| VIII. Tax expense: | | | |
| (1) Current tax - Current Year | 891.10 | | 680.02 |
| - Earlier years | (2.59) | | 4.59 |
| | | 888.51 | 684.61 |
| (2) Deferred tax | | 454.14 | 443.23 |
| | | 1342.65 | 1127.84 |
| IX. Profit for the year (VII-VIII) | | 3254.95 | 2696.89 |
| X. Earnings per equity share: | 2.49 | | |
| (1) Basic | | 7.03 | 6.19 |
| (2) Diluted | | 7.03 | 6.19 |
| Accounting Policies | 1 | | |
| Notes on Accounts | 2 | | |

Notes referred above are integral part of the Statement of Profit and Loss

For and on behalf of the Board of Directors

(Divya Tandon)
Company secretary

(R.T. Agarwal)
Director (Finance)

(R. N. Nayak)
Chairman & Managing Director

For S.K. Mehta & Co.
Chartered Accountants
Firm Regn No. 000478 N

As per our report of even date

For Chatterjee & Co.
Chartered Accountants
Firm Regn No. 302114 E

For Sagar & Associates
Chartered Accountants
Firm Regn No. 003510 S

(S.K.Mehta)
Partner
Membership No. 010870

(S.K.Chatterjee)
Partner
Membership No. 003124

(V.Vidyasagar Babu)
Partner
Membership No. 027357

Place: New Delhi

Date: 29th May, 2012

Cash Flow Statement for the year ended 31st March, 2012

| Description | (₹ in Crore) | |
|--|--|--|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax | 4597.60 | 3824.73 |
| Adjustment for : | | |
| Depreciation (including prior period) | 2610.29 | 2206.10 |
| Transfer from Grants in Aid | (31.99) | (27.51) |
| Deferred revenue - Advance against Depreciation | (32.29) | (37.56) |
| Transfer of LDC Development Fund to Subsidiary Company | - | (39.92) |
| Amortised Expenditure(DRE written off) | 2.41 | 1.86 |
| Provisions | 2.30 | (10.56) |
| Transfer from Self Insurance Reserve | (0.81) | (2.21) |
| Net Loss on Disposal / Write off of Fixed Assets | 1.21 | 6.98 |
| Interest and Finance Charges | 1858.83 | 1738.41 |
| Provisions Written Back | (40.79) | (40.22) |
| FERV loss / (gain) | 84.43 | (4.48) |
| Interest earned on Bonds and loans to State Govts. | (81.76) | (99.30) |
| Dividend received | (54.18) | (74.82) |
| Operating profit before Working Capital Changes | 8915.25 | 7441.50 |
| Adjustment for : | | |
| (Increase)/Decrease in Inventories | (58.80) | (36.71) |
| (Increase)/Decrease in Trade Receivables | (1201.35) | (911.39) |
| (Increase)/Decrease in Loans and Advances | (1679.43) | 1113.11 |
| (Increase)/Decrease in Other current assets | 1590.85 | (72.80) |
| Increase/(Decrease) in Liabilities & Provisions | (284.70) | (1252.68) |
| Increase/(Decrease) in Deferred Income/Expenditure from Foreign Currency Fluctuation (Net) | 482.21 | 46.27 |
| (Increase)/Decrease in Deferred Foreign Currency Fluctuation Asset/Liability (Net) | (399.69) | 3.28 |
| Deferred Revenue Expenditure | - | (0.71) |
| | (1550.91) | (1111.63) |
| Direct taxes paid | (961.81) | (764.88) |
| Net Cash from operating activities | 6402.53 | 5564.99 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed assets (including incidental expenditure during construction) | (665.88) | (389.19) |
| Capital work in progress | (13861.17) | (9693.56) |
| Construction Stores | (1860.79) | (3315.81) |
| (Increase)/Decrease in Investments | 113.90 | 88.21 |
| (Increase)/Decrease in Long Term Loans under Securitisation Scheme | 15.42 | 23.14 |
| Loans & Advances to Subsidiaries | 97.20 | (89.35) |
| Lease receivables | 183.26 | 66.27 |
| Interest earned on Bonds and loans to State Govts. | 89.55 | 107.14 |
| Dividend received | 54.18 | 74.82 |
| Net cash used in investing activities | (15834.33) | (13128.33) |

Cash Flow Statement for the year ended 31st March, 2012 (contd...)

| Description | (₹ in Crore) | |
|---|--|--|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of Shares - Capital | - | 420.89 |
| Proceeds from issue of Shares - Premium | - | 3300.29 |
| Share Issue Expenses | - | (8.28) |
| Loans raised during the year | 14363.05 | 9506.63 |
| Loans repaid during the year | (3666.93) | (3041.02) |
| Interest and Finance Charges Paid | (1504.94) | (1452.01) |
| Dividend paid | (949.11) | (652.39) |
| Dividend Tax paid | (153.45) | (108.35) |
| Net Cash from Financing Activities | 8088.62 | 7965.76 |
| D. Net change in Cash and Cash equivalents(A+B+C) | (1343.18) | 402.42 |
| E. Cash and Cash equivalents(Opening balance) | 3680.06 | 3277.64 |
| F. Cash and Cash equivalents(Closing balance) | 2336.88 | 3680.06 |

Notes:

Cash and cash equivalents consists of Cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise of following Balance Sheet amounts as per Note 2.22.

| | | |
|---------------------------|----------------|----------------|
| Cash and cash equivalents | 1830.95 | 1554.58 |
| Other Bank balances (*) | 505.93 | 2125.48 |
| | 2336.88 | 3680.06 |

(*) Break up of Other Bank balances

| | | |
|--|---------------|----------------|
| 1. Balance in current accounts (unclaimed dividend) | 5.93 | 4.31 |
| 2. In term deposits (FPO proceeds for utilisation for identified projects) | 500.00 | 2121.17 |
| | 505.93 | 2125.48 |

Previous year figures have been re-grouped / re-arranged wherever necessary.

For and on behalf of the Board of Directors

(Divya Tandon)

Company secretary

For S.K. Mehta & Co.

Chartered Accountants

Firm Regn No. 000478 N

(S.K.Mehta)

Partner

Membership No. 010870

Place: New Delhi

Date: 29th May, 2012

(R.T. Agarwal)

Director (Finance)

As per our report of even date

For Chatterjee & Co.

Chartered Accountants

Firm Regn No. 302114 E

(S.K.Chatterjee)

Partner

Membership No. 003124

(R. N. Nayak)

Chairman & Managing Director

For Sagar & Associates

Chartered Accountants

Firm Regn No. 003510 S

(V.Vidyasagar Babu)

Partner

Membership No. 027357

Note 2.1 - Share capital

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| Equity Share Capital | | |
| Authorised Capital | | |
| 10,00,00,00,000 equity shares of ₹ 10/- each | 10000.00 | 10000.00 |
| Issued, Subscribed and paid up | | |
| 4,62,97,25,353 (Previous Year 4,62,97,25,353) equity shares of ₹ 10/-each fully paid up | 4629.73 | 4629.73 |
| Total | 4629.73 | 4629.73 |

Further Notes:

- 1) Reconciliation of Number and amount of share capital outstanding at the beginning and at the end of the reporting period

| Particulars | For the year ended 31 March, 2012 | | For the year ended 31 March, 2011 | |
|---|-----------------------------------|---------------------|-----------------------------------|---------------------|
| | No. of Shares | Amount (₹ in crore) | No. of Shares | Amount (₹ in crore) |
| Shares outstanding at the beginning of the year | 4629725353 | 4629.73 | 4208841230 | 4208.84 |
| Shares Issued during the year | Nil | - | 420884123 | 420.89 |
| Shares bought back during the year | Nil | - | Nil | - |
| Shares outstanding at the end of the year | 4629725353 | 4629.73 | 4629725353 | 4629.73 |

- 2) The holders of equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.
- 3) The Government of India holds 3,21,40,24,212(Previous Year 3,21,40,24,212) equity shares representing 69.42% (Previous year 69.42%) of the total equity shares of the Company and no other share holder of the Company holds more than 5% of the equity shares in the current year and in the preceeding year.

Note 2.2 - Reserves and surplus

| Description | (₹ in Crore) | |
|------------------------------------|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| Securities Premium Reserves | | |
| As per last Balance Sheet | 4875.15 | 1583.14 |
| Additions during the year | - | 3300.29 |
| Deductions during the year | - | 8.28 |
| Closing Balance | 4875.15 | 4875.15 |
| Bonds Redemption Reserve | | |
| As per last Balance Sheet | 2568.04 | 2043.08 |
| Additions during the year | 969.49 | 780.77 |
| Deductions during the year | 313.50 | 255.81 |
| Closing Balance | 3224.03 | 2568.04 |
| Self Insurance Reserve | | |
| Through appropriation | | |
| As per last Balance Sheet | 207.53 | 165.00 |
| Additions during the year | 43.85 | 42.53 |
| Deductions during the year | - | - |
| Closing Balance | 251.38 | 207.53 |

Note 2.2 - Reserves and surplus (contd...)

| (₹ in Crore) | | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Through charge to Profit | | |
| As per last Balance Sheet | 66.20 | 68.41 |
| Additions during the year | - | - |
| Deductions during the year | 0.81 | 2.21 |
| Closing Balance | 65.39 | 66.20 |
| | 316.77 | 273.73 |
| Corporate Social Responsibility(CSR) Activity Reserve | | |
| As per last Balance Sheet | 13.22 | 8.39 |
| Additions during the year | - | 4.83 |
| Deductions/Adjustments during the year | 13.22 | - |
| Closing Balance | - | 13.22 |
| General Reserve | | |
| As per last Balance Sheet | 8965.95 | 7824.27 |
| Additions during the year | 1450.00 | 1150.00 |
| Deductions during the year | - | 8.32 |
| Closing Balance | 10415.95 | 8965.95 |
| Load Despatch & Communication (LDC) Development Fund | | |
| As per Last Balance Sheet | - | 16.44 |
| Additions during the year | - | 23.48 |
| Deductions during the year | - | 39.92 |
| Closing Balance | - | - |
| Short Term Open Access(STOA) Reserve | | |
| As per Last Balance Sheet | - | - |
| Additions during the year | 219.88 | 141.25 |
| Deductions during the year | 219.88 | 141.25 |
| Closing Balance | - | - |
| | 18831.90 | 16696.09 |
| Surplus(Balance in statement of Profit and Loss) | | |
| As per last Balance Sheet | 41.18 | 24.33 |
| Add: Additions | | |
| Profit after tax as per Statement of Profit and Loss | 3254.95 | 2696.89 |
| Transfer from Bond Redemption Reserve | 313.50 | 255.81 |
| Transfer from STOA Reserve | 219.88 | 141.25 |
| CSR Activities Reserve | 13.22 | - |
| Dividend tax adjusted | 0.50 | - |
| Less: Appropriations | | |
| STOA Reserve | 219.88 | 141.25 |
| Bonds Redemption Reserve | 969.49 | 780.77 |
| CSR Activities Reserve | - | 4.83 |
| LDC Development Reserve | - | 15.16 |
| Self Insurance Reserve | 43.85 | 42.53 |
| General Reserve | 1450.00 | 1150.00 |
| Interim dividend | 370.39 | 231.51 |
| Dividend tax on Interim dividend | 60.07 | 38.45 |
| Proposed Final Dividend | 606.50 | 578.72 |
| Dividend tax on proposed Final Dividend | 96.90 | 93.88 |
| Closing Balance | 26.15 | 41.18 |
| TOTAL | 18858.05 | 16737.27 |

Note 2.3 - Long-term borrowings

(₹ in Crore)

| Description | As at 31st March, 2012 | As at 31st March, 2011 |
|--|------------------------|------------------------|
| a) BONDS | | |
| Secured (Taxable, Redeemable, Non-Cumulative, Non-Convertible) | | |
| XXXVI Issue- 9.35% Bonds of ₹ 1.50 crores each consisting of 15 STRPPs of ₹ 10.00 Lakhs each redeemable at par in 15 (fifteen) equal annual instalments w.e.f 29.08.2016 | 3090.00 | - |
| Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | | |
| Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 Lakhs each redeemable at par in 12 (twelve) equal annual instalments. | | |
| Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | | |
| XXXVII Issue- 9.25% redeemable w.e.f 26.12.2015 | 1995.00 | - |
| XXXV Issue- 9.64% redeemable w.e.f 31.05.2015 | 1957.50 | - |
| XXXIV Issue- 8.84% redeemable w.e.f 21.10.2014 | 3487.50 | 3487.50 |
| XXXIII Issue- 8.64%% redeemable w.e.f 08.07.2014 | 2880.00 | 2880.00 |
| XXXII Issue- 8.84% redeemable w.e.f 29.03.2014 | 1035.00 | 1035.00 |
| XXXI Issue- 8.90% redeemable w.e.f 25.02.2014 | 2047.50 | 2047.50 |
| XXX Issue- 8.80% redeemable w.e.f 29.09.2013 | 2332.50 | 2332.50 |
| XXIX Issue- 9.20% redeemable w.e.f 12.03.2013 | 1189.37 | 1297.50 |
| XXVIII Issue- 9.33% redeemable w.e.f 15.12.2012 | 2200.00 | 2400.00 |
| XXVII Issue- 9.47% redeemable w.e.f 31.03.2012 | 587.50 | 646.25 |
| XXVI Issue- 9.30% redeemable w.e.f 07.03.2012 | 832.50 | 915.75 |
| XXV Issue- 10.10% redeemable w.e.f 12.06.2011 | 887.50 | 976.25 |
| XXIV Issue- 9.95% redeemable w.e.f 26.03.2011 | 599.63 | 666.25 |
| XXIII Issue- 9.25% redeemable w.e.f 09.02.2011 | 230.63 | 256.25 |
| XXII Issue- 8.68% redeemable w.e.f 07.12.2010 | 517.50 | 575.00 |
| XXI Issue- 8.73% redeemable w.e.f 11.10.2010 | 382.50 | 425.00 |
| XX Issue- 8.93% redeemable w.e.f 07.09.2010 | 1125.00 | 1250.00 |
| XIX Issue- 9.25% redeemable w.e.f 24.07.2010 | 371.25 | 412.50 |
| XVIII Issue- 8.15% redeemable w.e.f 09.03.2010 | 666.00 | 749.25 |
| Bonds of ₹ 1.00 crores each consisting of 10 STRPPs of ₹ 10.00 Lakhs each redeemable at par in 10 (ten) equal annual instalments. | | |
| Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the Company. | | |
| XVII Issue- 7.39% redeemable w.e.f 22.09.2009 | 600.00 | 700.00 |
| XVI Issue- 7.10% redeemable w.e.f 18.02.2009 | 375.00 | 450.00 |
| XV Issue-6.68% Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 Lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 23.02.2008 | 450.00 | 525.00 |
| Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | | |

Note 2.3 - Long-term borrowings (contd...)

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| XIII issue-8.63% Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 31.07.2006 Secured by way of Registered Bond 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 | 337.50 | 405.00 |
| XII issue-.9.70% Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 28.03.2006 Secured by way of Registered Bond 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 | 61.50 | 76.87 |
| XI issue-9.80% Bonds of ₹ 3 crores each consisting of 12 STRPPs of ₹ 25 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 07-12-2005 Secured by way of Registered Bond 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-Allahbad, LILO of Singraulli-Kanpur and Allahbad Sub-Station | 181.00 | 226.25 |
| VIII issue-10.35% Bonds of ₹ 1000/-each redeemable at par in 10(Ten) equal annual instalments w.e.f. 27.04.2005 Secured by floating charge over the Fixed Assets of the Company | 4.00 | 6.00 |
| XIV issue-6.10% Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 Lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f 17.07.2004 Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | 174.75 | 233.00 |
| X issue-10.90% Bonds of ₹ 12 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 21.06.2004 Secured by way of Registered Bond 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-IFarakka & Chamera Transmission system | 190.38 | 253.84 |
| IX issue-12.25% Bonds of ₹ 100000/- each redeemable at par in 10(Ten) equal annual instalments w.e.f. 22 nd August, 2003 Secured by way of Registered Bond 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. | - | 57.65 |
| | 30788.51 | 25286.11 |

Note 2.3 - Long-term borrowings (contd...)

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| To be Secured | | |
| Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of ₹ 10.00 lakh each. | | |
| To be secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | | |
| XXXIX Issue- 9.40% redeemable at par on 29.03.2027 | 1800.00 | - |
| XXXVIII Issue- 9.25% redeemable at par on 09.03.2027 | 855.00 | - |
| | 2655.00 | - |
| Total (a) | 33443.51 | 25286.11 |
| b) Term Loans | | |
| From Banks | | |
| Secured | | |
| i) Rupee Loans | | |
| Secured by a floating charge on the fixed assets of the Company | | |
| Indian Overseas Bank | - | 10.00 |
| Corporation Bank | 5.00 | 15.00 |
| Punjab National Bank-Loan-I | - | 20.00 |
| Punjab National Bank-Loan-II | 75.00 | 100.00 |
| Oriental Bank of Commerce | 62.50 | 83.33 |
| ICICI Bank Ltd.(Secured by first pari passu charge over the assets of the Company) | - | 15.00 |
| | 142.50 | 243.33 |
| ii) Foreign Currency Loans | | |
| Bank of India Cayman Islands (Secured by a Floating charge on the immovable properties of the company) | 271.73 | 260.28 |
| Loan from Asian Development Bank Philippines (Guaranteed by Govt. of India) | | |
| Secured by pari passu interest in the liens created on the assets as security for the debts. | | |
| Asian development Bank(ADB)-I | 262.05 | 321.90 |
| ADB-II | 919.02 | 863.27 |
| ADB-III | 1768.63 | 1564.32 |
| Loan from International Bank for Reconstruction and Development, USA (Guaranteed by Govt. of India) | | |
| i) Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyaachal and Rihand Transmission system. | | |
| PSDP I | 70.06 | 173.22 |
| ii) Secured by pari passu interest in the liens created on the assets as security for the debts. | | |
| PSDP-II | 1542.33 | 1458.27 |
| PSDP-III | 1859.81 | 1697.61 |
| PSDP-IV | 2685.06 | 2206.46 |
| PSDP-IV (Addl.) | 1486.81 | 1208.51 |
| PSDP-V | 878.91 | 253.60 |
| | 11744.41 | 10007.44 |

Note 2.3 - Long-term borrowings (contd...)

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| To be Secured | | |
| i) Rupee Loans | | |
| Term Loan (LOC) from State Bank of India | 1000.00 | - |
| To be secured by way of par passu charge on assets of the Company except investments, land and buildings and current assets | | |
| ii) Foreign Currency Loans | | |
| (Pending creation of security by way of pari passu interest in the liens created on the assets as security for the debts) | | |
| ADB-IV | 1348.74 | 692.01 |
| ADB-V | 340.14 | 155.66 |
| Loan under NIB Loan no. PIL 5120 | 470.19 | - |
| | <u>2159.07</u> | <u>847.67</u> |
| Unsecured | | |
| Foreign currency loans | | |
| Skandinaviska Enskilda Banken AB(publ) Sweden | 82.52 | 94.99 |
| Loans Guaranteed by Govt of India | | |
| a. Natixis Banque (Formerly Credit National) France | 104.68 | 104.41 |
| b. Japan International Cooperation Agency(Formerly Japan Bank for International Cooperation) Japan | 161.09 | 148.74 |
| c. European Investment BankLuxembourg | 21.29 | 37.28 |
| | <u>369.58</u> | <u>385.42</u> |
| From Others | 15415.56 | 11483.86 |
| Secured | | |
| Rupee Loans | | |
| Secured by a floating charge on the fixed assets of the Company | | |
| Life Insurance Corporation of India-II | 171.10 | 235.99 |
| Life Insurance Corporation of India-III | 9.91 | 16.49 |
| | <u>181.01</u> | <u>252.48</u> |
| Unsecured | | |
| i) Rupee Loans | | |
| Power Finance Corporation Limited | | 5.00 |
| ii) Foreign Currency Loan | | |
| Kreditanstalt fur Wiederaufbau Germany | 79.11 | 188.39 |
| | <u>79.11</u> | <u>188.39</u> |
| | 260.12 | 445.87 |
| Total (b) | 15675.68 | 11929.73 |
| Total | 49119.19 | 37215.84 |

Further notes:

The Term loans are repayable in installments as per the terms of respective agreement generally over the period of 10 to 20 years after the moratorium period of 3 to 5 years.

Note 2.4 - Deferred tax liabilities (Net)

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| Deferred Tax liability | | |
| Towards Fixed Assets(Net) (A) | 5059.67 | 6007.81 |
| Deferred Tax Assets | | |
| Income during Construction Period | 44.26 | 19.64 |
| Self Insurance Reserve | 21.21 | 21.48 |
| Provisions allowable on payment basis | 131.98 | 121.05 |
| Advance Against Depreciation | 695.55 | 706.03 |
| Others | 1.56 | 3.63 |
| Sub-total (B) | 894.56 | 871.83 |
| Deferred Tax Liability (Net) (A-B) | 4165.11 | 5135.98 |
| Less : Recoverable from Beneficiaries | 2564.23 | 3989.24 |
| Net Deferred Tax Liability | 1600.88 | 1146.74 |

During the year, the deferred tax liability (net) and the deferred tax recoverable from the beneficiaries as at 31st March, 2012 have been reviewed and reassessed. Net increase in deferred tax liability of ₹ 454.14 Crore (Previous year ₹ 443.23 Crore) has been charged to the Statement of Profit and Loss.

Note 2.5 - Deferred Revenue

| Description | (₹ in Crore) | |
|---------------------------------|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| a) Advance Against Depreciation | 2143.78 | 2176.07 |
| b) Grants in aid | 139.32 | 171.31 |
| TOTAL | 2283.10 | 2347.38 |

Note 2.6 - Other Long term liabilities

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| Other liabilities | | |
| i) Deposits /Retention money from contractors and others. | 607.93 | 1365.51 |
| Less: Investments held as security | 0.34 | 0.79 |
| | 607.59 | 1364.72 |
| ii) Advance from customers (Consultancy contracts) | 468.71 | 1027.73 |
| iii) Dues for Capital Expenditure | 303.32 | 345.79 |
| iv) Others | 52.11 | 88.38 |
| Total | 1431.73 | 2826.62 |

Further Notes:

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 31st March, 2012 and as on 31st March, 2011.

Note 2.7 - Long-term provisions

| (₹ in Crore) | | |
|---------------------------------------|---------------------------|---------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Employee Benefits | | |
| As per last Balance Sheet | 316.64 | 286.11 |
| Additions during the year | 104.85 | 30.53 |
| Amounts utilised/paid during the year | - | - |
| Closing Balance | 421.49 | 316.64 |
| TOTAL | 421.49 | 316.64 |

Note 2.8 - Short-term borrowings

| (₹ in Crore) | | |
|-------------------------|---------------------------|---------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| (Unsecured) | | |
| Short Term loans | | |
| From Banks | 1650.00 | 1450.00 |
| Total | 1650.00 | 1450.00 |

Note 2.9 - Trade payables

| (₹ in Crore) | | |
|------------------------|---------------------------|---------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| For goods and services | 203.35 | 196.66 |
| Total | 203.35 | 196.66 |

Further Notes:

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 31st March, 2012 and as on 31st March, 2011.

Note 2.10 - Other current liabilities

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| A) Current maturities of Long Term borrowings | 2632.72 | 2216.93 |
| B) Interest Accrued But Not Due On borrowings From | | |
| Indian Banks Financial Institutions & Corporations | 17.78 | 21.06 |
| Foreign Banks & Financial Institutions | 41.47 | 30.09 |
| Secured/Unsecured redeemable Bonds | 1211.97 | 866.18 |
| C) Others | 1271.22 | 917.33 |
| i) Dues for Capital Expenditure | 1221.01 | 1273.69 |
| ii) Employee related liability | 1.63 | 1.61 |
| iii) Un-claimed matured bonds | 0.08 | 0.07 |
| iv) Unclaimed Dividend | 5.93 | 4.31 |
| v) Deposits Retention money from contractors and others. | 1584.05 | 584.86 |
| Less: Investments held as security | 0.75 | 1.26 |
| | 1583.30 | 583.60 |
| vi) Advance from customers (Consultancy contracts) | 1629.82 | 1170.66 |
| vii) Statutory Dues | 69.29 | 108.40 |
| viii) Related parties | 37.89 | 17.40 |
| ix) Others | 8.10 | 13.46 |
| | 4557.05 | 3173.20 |
| Total | 8460.99 | 6307.46 |

Note 2.11 - Short-term provisions

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| a) Employee Benefits | | |
| i) Transmission incentive/special incentive | | |
| As per last Balance Sheet | 190.71 | 132.79 |
| Addition during the year | 127.92 | 90.77 |
| Amount paid/adjusted during the year | 103.53 | 32.85 |
| Closing Balance | 215.10 | 190.71 |
| ii) Retirement benefit/Wage revision | | |
| As per last Balance Sheet | 64.24 | 342.93 |
| Additions during the year | 30.36 | |
| Amounts utilised/paid during the year | | 278.69 |
| Closing Balance | 94.60 | 64.24 |
| iii) Other Employee Benefits (Leave Encashment, Settlement Allowance and Long Service Award etc.) | | |
| As per last Balance Sheet | 28.18 | 25.46 |
| Additions during the year | 6.49 | 12.46 |
| Amounts utilised/paid during the year | 11.01 | 9.74 |
| Closing Balance | 23.66 | 28.18 |
| Total (A) | 333.36 | 283.13 |

Note 2.11 - Short-term provisions (contd...)

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| b) Others | | |
| i) Taxation (Including interest on Tax) | | |
| As per last Balance Sheet | 1581.98 | 1148.04 |
| Additions during the year | 891.10 | 680.02 |
| Amount adjusted during the year | 465.35 | 246.08 |
| Closing Balance | 2007.73 | 1581.98 |
| ii) Proposed Dividend | | |
| As per last Balance Sheet | 578.72 | 420.88 |
| Additions during the year | 606.50 | 578.72 |
| Amounts paid during the year | 578.72 | 420.88 |
| Closing Balance | 606.50 | 578.72 |
| iii) Dividend Tax | | |
| As per last Balance Sheet | 93.88 | 69.90 |
| Additions during the year | 156.97 | 93.88 |
| Amounts paid/adjusted during the year | 153.95 | 69.90 |
| Closing Balance | 96.90 | 93.88 |
| iv) Downtime Service Credit-Telecom | | |
| As per last Balance Sheet | 2.46 | 1.77 |
| Additions during the year | 0.75 | 0.69 |
| Amounts adjusted/paid during the year | - | - |
| Closing Balance | 3.21 | 2.46 |
| v) Guarantee Fee to GOI | | |
| As per last Balance Sheet | 18.65 | 16.28 |
| Additions during the year | - | 2.37 |
| Amounts adjusted/paid during the year | 18.65 | - |
| Closing Balance | - | 18.65 |
| vi) Provision for Corporate Social Responsibility (CSR) Activity | | |
| As per last Balance Sheet | - | - |
| Additions during the year | 15.26 | - |
| Amounts adjusted/paid during the year | - | - |
| Closing Balance | 15.26 | - |
| vii) Provision Others | | |
| As per last Balance Sheet | - | - |
| Additions during the year | 1.44 | - |
| Amounts adjusted/paid during the year | - | - |
| Closing Balance | 1.44 | - |
| Total (B) | 2731.04 | 2275.69 |
| Total (A+B) | 3064.40 | 2558.82 |

Note 2.12 - Tangible assets

| (₹ in Crore) | | | | | | | | | | | | |
|---|-----------------------|---------------------------|-----------------|----------------------------|---------------------------|-----------------------|---------------------------|-----------------|----------------------------|------------------------|------------------------|------------------------|
| Description | Gross Block | | | | Depreciation/Amortisation | | | | | Net Block | | |
| | As at 1st April, 2011 | Additions during the year | Sale / Disposal | Adjustment during the year | As at 31st March, 2012 | Upto 31st March, 2011 | Additions during the year | Sale / Disposal | Adjustment during the year | As at 31st March, 2012 | As at 31st March, 2012 | As at 31st March, 2011 |
| Land | | | | | | | | | | | | |
| a) Freehold | 743.74 | 423.49 | - | (23.03) | 1190.26 | - | - | - | - | - | 1190.26 | 743.74 |
| b) Leasehold | 102.07 | 109.09 | - | (0.42) | 211.58 | 12.07 | 5.02 | - | (0.86) | 17.95 | 193.63 | 90.00 |
| Buildings | | | | | | | | | | | | |
| a) Sub-Stations & Office | 442.24 | 54.81 | - | (0.52) | 497.57 | 131.96 | 16.34 | - | (4.57) | 152.87 | 344.70 | 310.28 |
| b) Township | 387.25 | 25.51 | - | (0.93) | 413.69 | 71.64 | 16.17 | - | (9.96) | 97.77 | 315.92 | 315.61 |
| Temporary Erection | 8.50 | 0.80 | - | 0.14 | 9.16 | 8.50 | 0.66 | - | - | 9.16 | - | - |
| Roads & Bridges | 117.88 | 9.98 | - | - | 127.86 | 26.45 | 5.24 | - | (2.28) | 33.97 | 93.89 | 91.43 |
| Water Supply Drainage & Sewerage | 71.51 | 9.55 | - | (0.08) | 81.14 | 17.72 | 4.64 | - | (0.37) | 22.73 | 58.41 | 53.79 |
| Plant & Equipment | | | | | | | | | | | | |
| a) Transmission | 31193.33 | 8061.49 | - | (329.77) | 39584.59 | 7129.26 | 1644.54 | - | 21.30 | 8752.50 | 30832.09 | 24064.07 |
| b) Substation | 15106.71 | 3498.05 | 1.40 | (256.77) | 18860.13 | 4967.70 | 733.78 | 1.26 | 3.65 | 5696.57 | 13163.56 | 10139.01 |
| c) Unified Load Despatch & Communication | 327.37 | 0.31 | - | (3.82) | 331.50 | 163.68 | 71.19 | - | 0.53 | 234.34 | 97.16 | 163.69 |
| d) Telecom | 1154.72 | 60.49 | - | (9.60) | 1224.81 | 378.63 | 64.71 | - | (0.24) | 443.58 | 781.23 | 776.09 |
| Furniture Fixtures | 59.53 | 10.45 | 0.09 | 0.07 | 69.82 | 28.40 | 3.41 | 0.01 | 0.11 | 31.69 | 38.13 | 31.13 |
| Office equipment | 65.78 | 9.25 | 0.15 | 0.30 | 74.58 | 29.70 | 4.11 | 0.10 | 0.27 | 33.44 | 41.14 | 36.08 |
| Electronic Data Processing & Word Processing Machines | 63.39 | 12.62 | 0.17 | 0.41 | 75.43 | 48.70 | 6.12 | 0.14 | 0.52 | 54.16 | 21.27 | 14.69 |
| Vehicles | 4.66 | 0.36 | 0.08 | - | 4.94 | 2.39 | - | 0.07 | 0.11 | 2.21 | 2.73 | 2.27 |
| Construction and Workshop equipment | 87.55 | 14.98 | - | (0.90) | 103.43 | 20.71 | 4.64 | - | 0.02 | 25.33 | 78.10 | 66.84 |
| Electrical Installation | 72.40 | 14.25 | - | 0.19 | 86.46 | 28.84 | 3.51 | - | - | 32.35 | 54.11 | 43.56 |
| Laboratory Equipments | 51.06 | 5.39 | - | (0.04) | 56.49 | 26.18 | 2.17 | - | - | 28.35 | 28.14 | 24.93 |
| Workshop & Testing Equipments | 18.68 | 2.47 | - | (0.22) | 21.37 | 13.85 | 0.51 | - | - | 14.36 | 7.01 | 4.78 |
| Miscellaneous Assets/Equipments | 0.14 | - | - | - | 0.14 | 0.08 | - | - | - | 0.08 | 0.06 | 0.06 |
| Grand Total | 50078.51 | 12323.34 | 1.89 | (624.99) | 63024.95 | 13106.46 | 2586.76 | 1.58 | 8.23 | 15683.41 | 47341.54 | 36972.05 |
| Less: Provision for assets discarded | | | | | 10.47 | | | | | 8.71 | 1.76 | 1.76 |
| | 50078.51 | 12323.34 | 1.89 | (624.99) | 63014.48 | 13106.46 | 2586.76 | 1.58 | 8.23 | 15674.70 | 47339.78 | 36970.29 |
| Previous Year | 42963.39 | 7321.16 | - | 206.04 | 50078.51 | 11124.05 | 2197.68 | - | 215.25 | 13106.46 | 36972.05 | |
| Less: Provision for assets discarded | | | | | 10.47 | | | | | 8.71 | 1.76 | |
| | 42963.39 | 7321.16 | - | 206.04 | 50068.04 | 11124.05 | 2197.68 | - | 215.25 | 13097.75 | 36970.29 | |

Further Notes:

- The company owns 5635 hectare (Previous Year 5377 hectare) of land amounting to ₹ 1401.84 crore (Previous Year ₹ 845.81 crore) which has been classified into freehold ₹ 1190.26 crore (Previous year ₹ 743.74 crore) and leasehold ₹ 211.58 crore (Previous year ₹ 102.07 crore) based on available documentation.
- The company's land in the State of Jammu & Kashmir amounting to ₹ 54.60 crore (Previous Year ₹ 22.91 crore) and in certain other cases (value not ascertainable), the conveyancing of title to the freehold land and execution/registration of lease agreements in favour of the company is pending for completion of legal formalities.
- Freehold land includes ₹ 48.71 crore (previous year ₹ 33.71 crore) in respect of land acquired by the Company for which conveyance deed in favour of the Company is yet to be executed.
- Leasehold land includes ₹ 7.64 crore (previous year ₹ 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 not amortised
- Consequent upon advance possession of the land for one of the project at Hyderabad, measuring 60.00 acres given to Company, provisional payment of ₹ 3.63 crore during the year has been included in freehold land pending determination of market value of land.
- Township buildings includes ₹ 7.27 crore (previous year ₹ 7.27 crore) for 28 flats at Mumbai, for which registration in favour of the company is pending.
- Plant and machinery under substation in fixed assets includes company's share of ₹ 3.80 crore (previous year ₹ 3.80 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.
- The transmission systems situated in Jammu and Kashmir have been taken over by the Company w.e.f. 1st April, 1993 from National Hydroelectric Power Corporation Ltd. (NHPC) upon mutually agreed terms, pending completion of legal formalities.

Note 2.13 - Intangible assets

(₹ in Crore)

| Description | Gross Block | | | | Amortisation | | | | Net Block | | |
|-------------------------------------|-----------------------|---------------------------|-----------------|----------------------------|------------------------|-----------------------|---------------------------|-----------------|----------------------------|------------------------|------------------------|
| | As at 1st April, 2011 | Additions during the year | Sale / Disposal | Adjustment during the year | As at 31st March, 2012 | Upto 31st March, 2011 | Additions during the year | Sale / Disposal | Adjustment during the year | As at 31st March, 2012 | As at 31st March, 2011 |
| Electronic Data Processing Software | 3.01 | 2.48 | | | 5.49 | 2.31 | 0.98 | | | 3.29 | 2.20 |
| Right of Way-Afforestation Expenses | 272.30 | 92.81 | | (2.26) | 367.37 | 19.31 | 16.34 | | (11.40) | 47.05 | 320.32 |
| Total | 275.31 | 95.29 | | (2.26) | 372.86 | 21.62 | 17.32 | | (11.40) | 50.34 | 322.52 |
| Previous Year | 233.67 | 39.25 | | (2.39) | 275.31 | 13.12 | 8.55 | | 0.05 | 21.62 | 253.69 |

Note 2.14 - Capital work in progress

(₹ in Crore)

| Description | As at 1st April, 2011 | Additions | Adjustments | Capitalised during the year | As at 31st March, 2012 |
|--|-----------------------|-----------|-------------|-----------------------------|------------------------|
| Land | | | | | |
| Development of land | 53.06 | 10.01 | 8.78 | 1.29 | 53.00 |
| Buildings | | | | | |
| a) Sub-Stations & Office | 59.83 | 63.90 | 5.31 | 51.25 | 67.17 |
| b) Township | 58.09 | 31.05 | 0.55 | 24.62 | 63.97 |
| Temporary erection | 0.15 | 0.66 | 0.06 | 0.30 | 0.45 |
| Roads & Bridges | 10.99 | 10.71 | 2.00 | 8.62 | 11.08 |
| Water Supply Drainage and Sewerage | 5.81 | 10.04 | 0.99 | 8.73 | 6.13 |
| Plant & Equipments (including associated civil works) | | | | | |
| a) Transmission | 9115.54 | 8278.73 | 503.41 | 8054.71 | 8836.15 |
| b) Sub-Station | 1685.84 | 5382.86 | 10.69 | 3471.71 | 3586.30 |
| c) Unified Load Despatch & Communication | 0.01 | 9.64 | 0.01 | - | 9.64 |
| d) Telecom | 21.29 | 63.11 | - | 19.20 | 65.20 |
| Furniture Fixtures | 1.11 | 0.13 | 0.06 | 0.85 | 0.33 |
| Other office equipments | 1.87 | 0.13 | 0.07 | 0.05 | 1.88 |
| Electrical Installations | 14.13 | 10.66 | 0.07 | 12.30 | 12.42 |
| Expenditure pending allocation | | | | | |
| i) Survey Investigation Consultancy & Supervision Charges | 48.63 | 7.57 | 1.35 | 4.63 | 50.22 |
| ii) Difference in Exchange on foreign Loans | - | 390.08 | 158.27 | - | 231.81 |
| iii) Expenditure during Construction | 1788.28 | 1857.04 | 1141.18 | - | 2504.14 |
| TOTAL | 12864.63 | 16126.32 | 1832.80 | 11658.26 | 15499.89 |
| Previous Year | 10193.00 | 10335.85 | 736.65 | 6927.57 | 12864.63 |

Note 2.15 - Intangible assets under development

| (₹ in Crore) | | | | | |
|-------------------------------------|-----------------------|--------------|-------------|-----------------------------|------------------------|
| Description | As at 1st April, 2011 | Additions | Adjustments | Capitalised during the year | As at 31st March, 2012 |
| Right of Way-Afforestation expenses | 99.05 | 46.11 | 0.16 | 71.39 | 73.61 |
| Total | 99.05 | 46.11 | 0.16 | 71.39 | 73.61 |
| Previous Year | 52.07 | 84.96 | - | 37.98 | 99.05 |

Note 2.16 - Construction stores

| (₹ in Crore) | | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Towers | 3572.68 | 2627.20 |
| Conductors | 4311.27 | 3450.78 |
| Other Line Materials | 1445.24 | 1183.07 |
| Sub-Station Equipments | 3087.93 | 3411.47 |
| High Voltage Direct Current (HVDC) Equipments | 57.86 | 50.11 |
| Unified Load Despatch & Communication(ULDC) Materials | 38.37 | 19.78 |
| Telecom Materials | 8.42 | 0.40 |
| Steel | 0.72 | 0.54 |
| Others | 87.56 | 5.91 |
| | 12610.05 | 10749.26 |
| Less: Provision for Shortages and obsolete material | 0.01 | 0.01 |
| TOTAL | 12610.04 | 10749.25 |
| Construction Stores include: | | |
| i) Material in transit | | |
| Towers | 29.03 | 379.03 |
| Other Line Materials | - | 40.32 |
| Sub-Station Equipments | 317.86 | 1458.47 |
| Total | 346.89 | 1877.82 |
| ii) Material with Contractors | | |
| Towers | 3539.39 | 2321.11 |
| Conductors | 4307.28 | 3201.90 |
| Other Line Materials | 1444.13 | 1048.00 |
| Sub-Station Equipments | 2768.13 | 2227.49 |
| High Voltage Direct Current (HVDC) Equipments | 57.03 | 43.12 |
| Telecom Materials | 8.23 | 1.09 |
| Others | 79.48 | - |
| Total | 12203.67 | 8842.71 |
| Grand total | 12550.56 | 10720.53 |

Further Notes:

Pending reconciliation, materials amounting to ₹ 43.82 crore (previous year ₹ 34.68 crore) in commissioned lines is shown as construction stores lying with contractors.

Note 2.17 - Non-current investments

(₹ in Crore)

| Description | As at 31st March, 2012 | As at 31st March, 2011 |
|--|------------------------|------------------------|
| LONG TERM | | |
| A. TRADE INVESTMENTS (AT COST) | | |
| I. Equity Instruments-Fully Paid up :- | | |
| Quoted | | |
| PTC India Ltd | | |
| 12000006(Previous year 12000006) Shares of ₹ 10/- each | 12.00 | 12.00 |
| {Market Value ₹ 73.68 crore @ 61.40 (NSE) per share(Previous year ₹ 100.08 crore @ 83.40 (NSE) per share)} | | |
| Unquoted | | |
| Subsidiary Companies | | |
| Power System Operation Corporation Ltd. | | |
| 30640000(Previous year 30640000) Shares of ₹ 10 each. | 30.64 | 30.64 |
| Nagapattanam Madhugiri Transmission Company Ltd. | 0.05 | - |
| 50000(Previous year NIL) Shares of ₹ 10 each.. | | |
| Joint Venture Companies | | |
| Torrent Power Grid Ltd. | | |
| 23400000 (Previous year 23400000) Shares of ₹ 10/- each. | 23.40 | 23.40 |
| Jaypee Powergrid Ltd. | | |
| 75920000(Previous year 65000000) Shares of ₹ 10/- each.. | 75.92 | 65.00 |
| Parbati Koldam Transmission Company Ltd. | | |
| 21483800 (Previous year 21483800) Shares of ₹ 10/- each . | 21.49 | 21.49 |
| Teestavalley Power Transmission Limited | | |
| 20333000 (Previous Year 20333000) Shares of ₹ 10/- each . | 20.33 | 20.33 |
| Powerlinks Transmission Ltd | | |
| 229320000 (Previous year 229320000) Shares of ₹ 10/- each | 229.32 | 229.32 |
| North East Transmission Company Ltd. | | |
| 92040000 (Previous year 30152453) Shares of ₹ 10/- each | 92.04 | 30.15 |
| Energy Efficiency Services Ltd | | |
| 625000 (Previous year 625000)Shares of ₹ 10/- each | 0.63 | 0.63 |
| National High Power Test Laboratory Ltd. | | |
| 2625000 (Previous year 2625000) Shares of ₹ 10/- each | 2.63 | 2.63 |
| | 508.45 | 435.59 |
| II. Govt.Securities (Unquoted):- | | |
| a) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of : | | |
| Andhra Pradesh | 54.16 | 72.21 |
| Arunachal Pradesh | 1.57 | 2.09 |
| Assam | 50.34 | 67.12 |
| Bihar | 48.64 | 64.86 |
| Gujarat | 21.01 | 28.02 |
| Haryana | 24.15 | 32.20 |
| Himachal Pradesh | 0.85 | 1.13 |
| Jammu & Kashmir | 48.59 | 64.79 |
| Kerala | 7.23 | 9.64 |
| Madhya Pradesh | 31.22 | 41.62 |

Note 2.17 - Non-current investments (contd...)

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| Maharashtra | 4.04 | 5.39 |
| Manipur | 9.51 | 12.68 |
| Meghalaya | 0.13 | 0.17 |
| Mizoram | 0.01 | 0.01 |
| Nagaland | 4.18 | 5.57 |
| Punjab | 14.08 | 18.78 |
| Rajasthan | 3.27 | 3.27 |
| Sikkim | 3.38 | 4.51 |
| Tripura | 0.27 | 0.36 |
| Uttar Pradesh | 138.44 | 184.58 |
| Uttaranchal | 15.38 | 20.51 |
| West Bengal | 24.15 | 32.20 |
| Jharkhand | 33.45 | 44.60 |
| | 538.05 | 716.31 |
| b) Other Bonds:- | | |
| 15 years 8.5% J&K Govt. Bonds 2017 Interest payable semi-annually redeemable w.e.f 30.11.2007 | 10.38 | 12.69 |
| 15 years 8.5% J&K Govt. Bonds 2018 Interest payable semi-annually redeemable w.e.f 31.03.2008 | 13.43 | 16.12 |
| | 23.81 | 28.81 |
| III. Share application money pending allotment in Joint Venture Companies | | |
| National High Power Test Laboratory Ltd. | 6.50 | - |
| Energy Efficiency Services Ltd | 24.38 | 24.38 |
| North East Transmission Company Ltd. | - | 8.92 |
| | 30.88 | 33.30 |
| TOTAL (A) | 1101.19 | 1214.01 |

B. Non-trade investments (Unquoted)

500 (Previous year 500) Fully paid up shares of ₹ 10/- each in Employees Co-op Society Limited Itarsi (₹ 5000/-)

500 (Previous year 500) Fully paid up shares of ₹ 10/- each in EmployeesCo-op Society Limited Nagpur (₹ 5000/-)

500 (Previous year 500) Fully paid up shares of ₹ 10/- each in Employees Co-op Society Limited Jabalpur (₹ 5000/-)

Total (B)

GRAND TOTAL (A+B)

Further notes:

1) Aggregate amount of Quoted Investments

Book value

Market Value

Aggregate amount of Unquoted Investments

Book value

12.00

73.68

1089.19

12.00

100.08

1202.01

2) 229319997 shares (Previous year 229319997) 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.

Note 2.18 - Long-term loans and advances

(Unsecured Considered good unless otherwise stated)

| | | (₹ in Crore) | |
|---|---------|------------------------|------------------------|
| Description | | As at 31st March, 2012 | As at 31st March, 2011 |
| A) Advances for Capital Expenditure | | | |
| i) Secured | | 2.09 | 1.07 |
| ii) Unsecured | | | |
| a. Against Bank guarantees | 4671.52 | | 2422.94 |
| b. Others | 417.62 | | 487.65 |
| iii) Unsecured Considered Doubtful | 1.14 | | 1.18 |
| | | 5090.28 | 2911.77 |
| Less: Provision for Bad & Doubtful Advances | 1.14 | | 1.18 |
| | | 5089.14 | 2910.59 |
| | | 5091.23 | 2911.66 |
| B) Loans | | | |
| i) Employees (including interest accrued) | | | |
| Secured | 118.04 | | 84.72 |
| Unsecured | 5.22 | | 4.09 |
| | | 123.26 | 88.81 |
| ii) Long Term Loan (Under securitisation Scheme) | | 53.99 | 69.41 |
| iii) Lease Receivables | | 295.02 | 417.37 |
| | | 472.27 | 575.59 |
| C) Security Deposits | | 7.70 | 6.38 |
| D) Advances recoverable in cash or in kind or for value to be received | | | |
| Contractors & Suppliers(Material issued on Loan) | 1.25 | | 1.20 |
| Employees | 14.74 | | 26.44 |
| Others | 20.38 | | 40.69 |
| Purchase Consideration-Loans recoverable | - | | 40.31 |
| Balance with Customs Port Trust and other authorities | 7.19 | | 13.06 |
| | 43.56 | | 121.70 |
| Considered doubtful | 7.18 | | 9.23 |
| | | 50.74 | 130.93 |
| Less: Provision for bad and doubtful Advances and Claims | 7.18 | | 9.23 |
| | | 43.56 | 121.70 |
| TOTAL | | 5614.76 | 3615.33 |
| Due from: | | | |
| Directors | | 0.05 | 0.07 |
| Officers | | 13.53 | 15.89 |

Note 2.19 - Current investments

(₹ in Crore)

| Description | As at 31st March, 2012 | As at 31st March, 2011 |
|---|---------------------------|---------------------------|
| CURRENT MATURITIES OF LONG TERM INVESTMENTS (AT COST) | | |
| TRADE INVESTMENTS | | |
| Govt.Securities (Unquoted):- | | |
| a) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of : | | |
| Andhra Pradesh | 18.04 | 18.05 |
| Arunachal Pradesh | 0.52 | 0.52 |
| Assam | 16.78 | 16.78 |
| Bihar | 16.22 | 16.21 |
| Gujarat | 7.00 | 7.00 |
| Haryana | 8.04 | 8.05 |
| Himachal Pradesh | 0.28 | 0.28 |
| Jammu & Kashmir | 16.20 | 16.20 |
| Kerala | 2.42 | 2.41 |
| Madhya Pradesh | 10.40 | 10.41 |
| Maharashtra | 1.34 | 1.35 |
| Manipur | 3.18 | 3.17 |
| Meghalaya | 0.04 | 0.04 |
| Nagaland | 1.40 | 1.39 |
| Punjab | 4.70 | 4.69 |
| Rajasthan | - | 1.09 |
| Sikkim | 1.12 | 1.13 |
| Tripura | 0.10 | 0.09 |
| Uttar Pradesh | 46.14 | 46.15 |
| Uttaranchal | 5.12 | 5.13 |
| West Bengal | 8.06 | 8.05 |
| Jharkhand | 11.16 | 11.15 |
| | 178.26 | 179.34 |
| b) Other Bonds:- | | |
| 15 years 8.5% J&K Govt. Bonds 2017 Interest payable semi-annually redeemable w.e.f 30.11.2007 | 2.31 | 2.31 |
| 15 years 8.5% J&K Govt. Bonds 2018 Interest payable semi-annually redeemable w.e.f 31.03.2008 | 2.69 | 2.69 |
| | 5.00 | 5.00 |
| TOTAL | 183.26 | 184.34 |
| GRAND TOTAL | 183.26 | 184.34 |
| Further notes: | | |
| Aggregate amount of Unquoted Investments | | |
| Book value | 183.26 | 184.34 |

Note 2.20 - Inventories

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| (As taken valued and certified by the Management) | | |
| (For mode of valuation refer Note 1.12) | | |
| Loose tools | 0.69 | 0.70 |
| Consumable stores | 3.11 | 2.41 |
| ComponentsSpares & other spare parts: | | |
| Towers | 113.07 | 96.35 |
| Conductors | 25.18 | 22.02 |
| Other Line Materials | 96.29 | 70.53 |
| Sub-Station Equipments/Spares | 108.55 | 91.89 |
| High Voltage Direct Current Equipments/spares | 57.56 | 41.13 |
| Unified Load despatch Centre Spares | 2.33 | 2.69 |
| Telecom Spares | 8.02 | 11.50 |
| Other Stores | 25.77 | 42.55 |
| | <u>440.57</u> | <u>381.77</u> |
| Less Provision for Shortages | 0.26 | 0.26 |
| TOTAL | <u>440.31</u> | <u>381.51</u> |
| Inventories includes material in transit | | |
| Other Stores | 0.01 | - |
| Total | <u>0.01</u> | <u>-</u> |

Note 2.21 - Trade receivables

(Unsecured considered good unless otherwise stated)

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| i) Debts Outstanding for a period exceeding Six Months | | |
| Considered Good | 184.87 | 1.91 |
| Considered Doubtful | 78.03 | 78.05 |
| ii) Other debts | 2130.50 | 1112.09 |
| | <u>2393.40</u> | <u>1192.05</u> |
| Less: Provision for bad & doubtful debts | 78.03 | 78.05 |
| TOTAL | <u>2315.37</u> | <u>1114.00</u> |

Note 2.22 - Cash and Bank balances

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| 1) Cash and Cash Equivalents | | |
| Balance with banks- | | |
| - In Current Accounts | 451.17 | 153.89 |
| - In term Deposits (FPO proceeds to be utilised for identified projects) | 250.00 | - |
| - In designated current accounts(to be utilised for Consultancy Assignments) | 1124.50 | 1399.22 |
| Drafts/Cheques in Hand | 5.25 | 1.43 |
| Cash in hand | 0.02 | 0.03 |
| Stamps and Imprest | 0.01 | 0.01 |
| | 1830.95 | 1554.58 |
| 2) Other Bank balances | | |
| - In current account (Unclaimed dividend) | 5.93 | 4.31 |
| - In Term Deposits having maturity over 3 months (FPO proceeds to be utilised for identified projects) | 500.00 | 2121.17 |
| TOTAL | 2336.88 | 3680.06 |

Note 2.23 - Short-term loans and advances

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| A) Loans | | |
| a) Employees including interest accrued | | |
| i) Secured Considered good | 29.20 | 0.07 |
| ii) Unsecured considered good | 4.08 | 47.99 |
| | 33.28 | 48.06 |
| b) Others | | |
| Secured Considered good | - | 0.11 |
| Unsecured considered good | | |
| Current maturities of Long Term Advances (Under securitisation Scheme) | 15.43 | 15.43 |
| Current Maturities of Lease Receivables | 131.44 | 174.23 |
| | 146.87 | 237.83 |
| Total(A) | 180.15 | 237.83 |
| B) Advances to related parties*(Unsecured considered good) | 36.51 | 18.02 |
| C) Advances recoverable in cash or in kind or for value to be received (Unsecured Considered good) | | |
| a) Employees | 23.32 | 27.96 |
| b) Others | | |
| Contractors & Suppliers (Including Material issued on loan) | 6.78 | 6.35 |
| Balance with Customs Port Trust and other authorities | 11.24 | 11.36 |
| Advance Tax & TDS | 2114.48 | 1615.43 |
| Others | 61.21 | 120.33 |
| | 2193.71 | 1753.47 |
| Total (C) | 2217.03 | 1781.43 |
| Total(A+B+C) | 2433.69 | 2037.28 |
| Directors | | |
| Officers | 11.32 | 1.55 |

Note 2.23 - Short-term loans and advances (contd...)

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| * Advances to related parties | | |
| Teestavalley Power Transmission Limited | | 2.79 |
| Powerlinks Transmission Co Ltd. | 10.08 | |
| Energy Efficiency Services Ltd | 0.05 | |
| Torrent Power Grid Ltd. | 0.03 | 0.24 |
| North East transmission Company Ltd. | 6.80 | |
| Parbati Koldam Transmission Company Ltd. | 0.08 | 14.99 |
| Nagapatnam Madhugiri Transmission Co. Ltd. | 19.47 | |
| | 36.51 | 18.02 |

Note 2.24 - Other current assets

(Unsecured considered good unless otherwise stated)

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| a) Unbilled Revenue | 530.93 | 2048.09 |
| b) Interest accrued but not due | | |
| Interest accrued on Investments (Bonds) | 35.76 | 43.55 |
| Interest accrued on Term/Fixed Deposits | 15.67 | 65.10 |
| c) Unamortised Expenses (Deferred Revenue expenses to be written off within a period of 12 months) | - | 2.41 |
| d) Claims recoverable | 8.35 | 19.73 |
| e) Others | 37.40 | 50.28 |
| | 628.11 | 2229.16 |
| TOTAL | 628.11 | 2229.16 |

Further notes:

Unbilled revenue ₹ 530.93 crore (Previous year ₹ 2048.09 Crore) represent amount for which the company is yet to raise bills in view of recognition of revenue as per CERC Tariff norms applicable for 2009-2014.

Note 2.25 - Revenue from operations

| Description | (₹ in Crore) | |
|--|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Sales of services | | |
| i) Revenue from Transmission Charges | 9186.42 | 7653.08 |
| Less: Advance Against Depreciation | | 0.96 |
| Add: Revenue Recognised out of AAD | 32.29 | 38.52 |
| Transmission Charges-Short Term Open Access | 325.48 | 211.51 |
| | 9544.19 | 7902.15 |
| ii) Consultancy Project Management and Supervision Fees | 289.95 | 299.35 |
| iii) Telecom income | | |
| NLD | 199.36 | 172.99 |
| IP-1 | 9.43 | 16.84 |

Note 2.25 - Revenue from operations (contd...)

| Description | (₹ in Crore) | |
|--|--|--|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| ISP | 1.21 | 1.06 |
| | 210.00 | 190.89 |
| Less: Inter Divisional Transfer | | |
| NLD | 3.53 | 3.56 |
| IP-1 | 5.16 | - |
| ISP | 0.12 | 0.13 |
| | 8.81 | 3.69 |
| | 201.19 | 187.20 |
| Total | 10035.33 | 8388.70 |

Further notes:

The company has recognized transmission income during the year as per the following:

- ₹ 1934.42 crores (previous year ₹ NIL) for which provisional tariff orders have been issued by CERC allowing provisional billing of at 85%-95% of the tariff claimed ;
- ₹ 6516.80 crore (previous year ₹ 3457.31 crore) for which final tariff orders have been issued by CERC
- ₹ 301.94 crore (previous year ₹ 4233.33 crore) based on CERC Tariff norms applicable for the tariff block 2009-14 for which tariff orders are yet to be issued by CERC.
- In terms of CERC Regulation 39, CERC Tariff Regulations, 2009, notified by the CERC , during the year the Company has determined the amount of the Deferred Tax liability (Net) materialised for the period pertaining upto 31.03.2009 by identifying the major changes in the elements of Deferred Tax liability/Asset as recoverable from the beneficiaries and accordingly a sum of ₹ 465.55 crore(Net) has been recognised as sales during the year

Note 2.26 - Other income

| Description | (₹ in Crore) | |
|---|---|---|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| A) Income from non-current Investments | | |
| i) Dividend | | |
| Subsidiary | 7.65 | - |
| Others | 46.53 | 74.82 |
| ii) Interest on Govt.securities | 74.88 | 91.10 |
| B) Other Interests | | |
| Loan to State Govt. in settlement of dues | 6.88 | 8.20 |
| Indian Banks | 346.70 | 190.63 |
| Interest from Advances to contractors | 178.90 | 75.28 |
| Interest on differential between Provisional and Final Tariff by CERC | 128.94 | 118.68 |
| Others | 7.89 | 5.26 |
| | 798.37 | 563.97 |
| C) Others | | |
| Profit on fixed assets Sold | 0.09 | 0.13 |
| Deferred Income (Transferred from Grants-in-aid) | 26.33 | 20.26 |
| Short Term Open Access-Other Charges | - | 12.99 |
| Transfer from Insurance Reserve on A/c of Losses of Fixed Assets | 0.81 | 2.21 |
| Lease Income-State Sector ULDC | 7.89 | 74.02 |
| Surcharge | 66.93 | 6.07 |

Note 2.26 - Other income (contd...)

| Description | (₹ in Crore) | |
|---|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Hire charges for equipments | 0.08 | 0.23 |
| FERV gain | - | 78.00 |
| Rebate | 0.30 | 0.11 |
| Provisions written back | 40.79 | 40.22 |
| Miscellaneous income | 62.66 | 75.11 |
| | 1004.25 | 873.32 |
| Less: Income transferred to expenditure during construction-Note 2.32 | 254.57 | 163.27 |
| TOTAL | 749.68 | 710.05 |

Note 2.27 - Employee benefits expense

| Description | (₹ in Crore) | |
|--|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Salaries wages allowances & benefits | 1026.10 | 807.72 |
| Contribution to provident and other funds | 88.41 | 149.22 |
| Staff Welfare expenses | 87.58 | 86.01 |
| | 1202.09 | 1042.95 |
| Less: Transferred to Expenditure during Construction-Note 2.32 | 359.12 | 297.06 |
| TOTAL | 842.97 | 745.89 |

Further notes:

- a) Employees' remuneration and benefits include the following for the directors, including chairman and managing director and excluding arrears paid to ex-directors.

| | (₹ in crore) | |
|--|--------------|---------------|
| | Current Year | Previous year |
| Salaries and Allowances | 1.80 | 1.46 |
| Contribution to Provident Fund and other Funds, Gratuity and Group Insurance | 0.08 | 0.08 |
| Other benefits | 0.22 | 0.23 |

- 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 ₹ 780/- p.m. as contained in the Ministry of Finance (BPE) Circular No.2(18)/pc/64 dt. 29th November, 1964 as amended

Note 2.28 - Finance costs

| Description | (₹ in Crore) | |
|---|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| A) Interest on Loan from | | |
| Indian Banks, Financial Institutions & Corporations | 225.08 | 137.06 |
| Foreign Banks and Financial Institutions | 145.68 | 140.09 |

Note 2.28 - Finance costs (contd...)

| Description | (₹ in Crore) | |
|--|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Secured/Unsecured redeemable Bonds | 2696.98 | 2168.40 |
| Others | 26.87 | 15.11 |
| | 3094.61 | 2460.66 |
| B) Other borrowing costs | | |
| Commitment charges | 3.23 | 4.53 |
| Guarantee Fee | 142.77 | 120.34 |
| Other finance charges | 39.35 | 28.26 |
| | 185.35 | 153.13 |
| C) ERV as adjustment to Borrowing Cost | | |
| ERV as adjustment to Borrowing Cost | 918.45 | 69.77 |
| Less: Transferred to Expenditure during Construction-Note no. 2.32 | 246.01 | 0.27 |
| | 672.44 | 69.50 |
| Less: FERV recoverable | 588.01 | 0.71 |
| | 84.43 | 68.79 |
| | 3364.39 | 2682.58 |
| Less: Transferred to Expenditure during Construction-Note no. 2.32 | 1421.13 | 1057.14 |
| TOTAL | 1943.26 | 1625.44 |

Note 2.29 - Depreciation and amortization expense

| Description | (₹ in Crore) | |
|--|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Depreciation/amortisation on Tangible Assets | 2586.76 | 2197.68 |
| Amortisation of Intangible assets | 17.32 | 8.55 |
| | 2604.08 | 2206.23 |
| Less: Transferred to Expenditure During Construction-Note no. 2.32 | 8.99 | 8.33 |
| | 2595.09 | 2197.90 |
| Less: Depreciation amortised due to FERV adjustment | 22.55 | (1.49) |
| Charged To Statement of Profit & Loss | 2572.54 | 2199.39 |

Note 2.30 - Transmission, Administration and other expenses

| Description | (₹ in Crore) | |
|---------------------------------|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Repair & Maintenance | | |
| Buildings | 24.44 | 17.70 |
| Plant & Machinery | | |
| Sub Station | 113.73 | 106.81 |
| Transmission lines | 47.57 | 33.96 |

Note 2.30 - Transmission, Administration and other expenses (contd...)

| | | (₹ in Crore) | |
|--|-------|-------------------------------------|-------------------------------------|
| Description | | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Construction equipment | 0.14 | | 0.02 |
| Telecom | 23.12 | | 21.67 |
| Others | 7.48 | | 8.19 |
| | | 192.04 | 170.65 |
| System and Market Operation Charges | | 27.39 | 7.79 |
| Power charges | 80.80 | | 71.58 |
| Less: Recovery from contractors | 1.05 | | 0.62 |
| | | 79.75 | 70.96 |
| Expenses of Diesel Generating sets | | 4.29 | 3.42 |
| Stores consumed | | 0.05 | 0.03 |
| Water charges | | 0.97 | 1.25 |
| Right of Way charges(Telecom) | | 4.25 | 3.94 |
| Patrolling Expenses-Telecom | | 1.69 | 0.89 |
| Last Mile connectivity-Telecom | | 0.12 | - |
| Training & Recruitment Expenses | 20.93 | | 23.69 |
| Less:Fees for training and application | 1.09 | | 1.08 |
| | | 19.84 | 22.61 |
| Legal expenses | | 7.90 | 3.85 |
| Professional charges(Including TA/DA) | | 7.19 | 12.21 |
| Consultancy expenses(Including TA/DA) | | 1.33 | 0.87 |
| Communication expenses | | 9.73 | 11.23 |
| Travelling & Conv.exp.(excluding foreign travel) | 78.88 | | 66.83 |
| Foreign travel | 6.64 | | 7.80 |
| | | 85.52 | 74.63 |
| Tender expenses | 16.16 | | 11.14 |
| Less: Sale of tenders | 6.14 | | 3.21 |
| | | 10.02 | 7.93 |
| Remuneration to auditors | | | |
| Statutory Auditors | | | |
| Audit Fees | 0.42 | | 0.40 |
| Tax Audit Fees | 0.12 | | 0.12 |
| In Other Capacity | 0.47 | | 0.59 |
| Out of pocket Expenses | 0.58 | | 0.57 |
| | | 1.59 | 1.68 |
| Advertisement and publicity | | 10.66 | 12.61 |
| Printing and stationery | | 5.24 | 5.97 |
| Books Periodicals and Journals | | 0.93 | 0.53 |
| EDP hire and other charges | | 3.10 | 2.47 |
| Entertainment expenses | | 1.61 | 1.60 |

Note 2.30 - Transmission, Administration and other expenses (contd...)

(₹ in Crore)

| Description | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
|---|-------------------------------------|-------------------------------------|
| Brokerage & Commission | 0.32 | 0.20 |
| Research & Development expenses | 3.16 | 0.47 |
| Cost Audit Fees | 0.28 | 0.22 |
| Rent | 9.15 | 6.61 |
| Miscellaneous expenses | 30.02 | 27.41 |
| Horticulture Expenses | 6.93 | 4.75 |
| Security Expenses | 58.83 | 54.18 |
| Hiring of Vehicle | 57.73 | 49.88 |
| Insurance | 31.07 | 16.95 |
| Rates and taxes | 7.34 | 6.99 |
| License Fees to DOT | 14.10 | 13.40 |
| Bandwidth charges dark fibre lease charges (Tel-ecom) etc | 13.38 | 9.74 |
| Expenditure on Corporate Social Responsibility (CSR) | 26.97 | 16.00 |
| Non operating expenses | 1.13 | 2.21 |
| Transit Accomodation Expenses | 5.50 | 4.18 |
| Less : Income from Transit Accomodation | 0.66 | 0.51 |
| | 4.84 | 3.67 |
| Rebate to Customers | 113.40 | 102.78 |
| Foreign Exchange Rate Variation (Net of FERV gain & amount recoverable) | 2.23 | 4.66 |
| Provisions | | |
| GOI Guarantee Fee | - | 2.37 |
| Provision-Others | 2.30 | 1.61 |
| | 2.30 | 3.98 |
| | 882.83 | 758.92 |
| Less:Transferred to Expenditure during Construction-Note no 2.32 | 75.94 | 68.97 |
| | 806.89 | 689.95 |
| Deferred revenue Expenses written off | 1.79 | 1.86 |
| Loss on Disposal/Write off of Fixed Assets | 1.30 | 7.12 |
| Total | 809.98 | 698.93 |
| Stores consumption included in repair and maintenance | 51.77 | 39.34 |

Further Notes:

The Company has allowed rebate against payment received through LC / cheques / RTGS for effecting better and timely recovery of dues from State Power Utilities on consistent basis

Note 2.31 - Prior period items

| (₹ in Crore) | | |
|---|--|--|
| Description | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Income | | |
| Transmission charges | (17.20) | - |
| Depreciation written back | - | 1.25 |
| Deferred Income (Transferred from Grants-in-aid) | 5.66 | 2.19 |
| Lease income-State Sector ULDC | 9.97 | - |
| Consultancy Project Management and Supervision Fees | 2.97 | - |
| Others | 1.15 | 4.79 |
| | <u>2.55</u> | <u>8.23</u> |
| Expenditure | | |
| Power charges | - | 0.02 |
| Rates and taxes | - | 0.57 |
| Depreciation | 6.21 | 1.12 |
| Depreciation amortised due to FERV | - | 3.27 |
| Unspent CSR Expenditure for earlier years | 13.22 | - |
| Interest | 0.75 | - |
| Employee Remuneration | 7.43 | - |
| Others | (5.98) | 8.83 |
| | <u>21.63</u> | <u>13.81</u> |
| Prior period expenditure/(income) (Net) | 19.08 | 5.58 |
| Less: Transferred to Expenditure during Construction -Note no. 2.32 | 0.42 | 1.21 |
| Total | 18.66 | 4.37 |

Note 2.32 - Expenditure during Construction (Net)

| (₹ in Crore) | | |
|---|--|--|
| Description | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| A. Employees Remuneration & Benifits | | |
| Salaries wages allowances and benefits | 316.13 | 238.47 |
| Contribution to provident and other funds | 26.35 | 38.13 |
| Welfare expenses | 16.64 | 20.46 |
| Total(A) | <u>359.12</u> | <u>297.06</u> |
| B. Other Expenses | | |
| Buildings | 1.98 | 1.93 |
| Others | 0.89 | 1.04 |
| | <u>2.87</u> | <u>2.97</u> |
| Power charges | 3.65 | 3.03 |
| Less: Recovered from contractors | 0.88 | 0.37 |
| | <u>2.77</u> | <u>2.66</u> |
| Expenses on Diesel Generating sets | 0.68 | 0.35 |
| Water charges | 0.29 | 0.27 |
| Training & Recruitment Expenses | 0.01 | 0.01 |
| Legal expenses | 0.66 | 1.11 |
| Professional charges | 1.79 | 1.76 |
| Consultancy expenses | 0.01 | 0.31 |
| Communication expenses | 2.11 | 2.90 |

Note 2.32 - Expenditure during Construction (Net) (contd...)

| Description | (₹ in Crore) | |
|---|--|--|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Travelling & Conv.exp. (Including Foreign Travel) | 28.86 | 21.62 |
| Tender expenses | 9.46 | 6.42 |
| Less: Income from sale of tenders | 5.87 | 3.16 |
| | 3.59 | 3.26 |
| Payment to Auditors | 0.06 | 0.51 |
| Advertisement and Publicity | 0.62 | 0.59 |
| Printing and stationery | 0.52 | 0.44 |
| EDP hire and other charges | 0.11 | 0.09 |
| Entertainment expenses | 0.12 | 0.15 |
| Brokerage and commission | 0.05 | 0.04 |
| Rent | 3.16 | 2.06 |
| Miscellaneous expenses | 3.40 | 5.90 |
| Horticulture Expenses | 0.48 | 0.24 |
| Security Expenses | 6.49 | 5.77 |
| Hiring of Vehicles | 15.90 | 14.74 |
| Insurance | 0.22 | 0.11 |
| Rates and taxes | 0.76 | 0.45 |
| Guest House Expenses | 0.44 | 0.68 |
| Less: Income from guest house | 0.03 | 0.02 |
| | 0.41 | 0.66 |
| Sub-total | 75.94 | 68.97 |
| Prior Period adjustment (net) | 0.42 | 1.21 |
| Total (B) | 76.36 | 70.18 |
| C. Depreciation/Amortisation | 8.99 | 8.33 |
| D. Finance Costs | | |
| a) Interest on Loans from | | |
| Indian Banks, Financial Institutions and Corporations | 7.50 | - |
| Foreign Banks and Financial Institutions | 20.05 | 22.29 |
| Secured/Unsecured Redeemable Bonds | 1327.87 | 994.77 |
| | 1355.42 | 1017.06 |
| b) Other borrowing costs | | |
| Commitment charges | 2.82 | 3.68 |
| Guarantee fee | 32.32 | 35.51 |
| Other Finance Charges | 30.57 | 0.89 |
| | 65.71 | 40.08 |
| c) FERV adjustment to borrowing cost | 246.01 | 0.27 |
| Total (D) | 1667.14 | 1057.41 |
| E. Less: Other Income | | |
| Interest from | | |
| Indian banks | 67.55 | 59.05 |
| Contractors | 178.66 | 75.14 |
| Others | 0.63 | 1.03 |
| | 246.84 | 135.22 |
| Miscellaneous income | 7.72 | 27.86 |
| Hire charges | 0.01 | 0.19 |
| Total (E) | 254.57 | 163.27 |
| GRAND TOTAL (A+B+C+D-E) | 1857.04 | 1269.71 |

OTHER NOTES

- 2.33 Cash equivalent of deemed export benefits availed of ₹ 209.99 crore in respect of supplies affected for East South Inter Connector-II Transmission Project (ESI) and Sasaram Transmission Project (STP), were paid to the Customs and Central Excise Authorities in accordance with direction from Ministry of Power (Govt. of India) during 2002-03 due to 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 project and the same was capitalised in the books of accounts. Thereafter, World Bank had financed both the ESI project and STP project as originally envisaged and they became eligible for deemed export benefits. Consequently, the company has lodged claims with the Customs and Excise Authorities.

During the year, Company has recovered deemed export benefits to the extent of ₹ Nil (Previous year ₹ 0.78 crore). The cumulative amount received and de-capitalized upto 31st March 2012 is ₹ 12.12 crore (Previous year ₹ 12.12 crore). The Company continued to show the balance of ₹ 197.87 crore as at 31st March 2012 (Previous year ₹ 197.87 crore) in capital cost of the respective assets / projects pending receipt of the same from Customs and Excise Authorities.

- 2.34 Out of the proceeds of Follow on Public Offer (FPO) made in Financial Year 2010-11, a sum of ₹ 1371.17 crore (Previous Year ₹ 1600 crore) has been utilised during the year for part financing of capital expenditure on the projects specified for utilization and the balance amount of ₹ 750 crore (Previous year ₹ 2121.17 crore) has been invested in Terms Deposits with Banks.
- 2.35 a) Certain balances in Loans and Advances & Trade Payable are subject to confirmation and consequential adjustments, if any.
- b) In the opinion of the management, the value of any of the assets other than fixed assets and non current investments on realization in the ordinary course of business will not be less than value at which they are stated in the Balance Sheet.
- 2.36 Information in respect of cost plus consultancy contracts, considering the same as consultancy business in view of Accounting Standard (AS)-7 (Revised 2002) "Construction Contracts " is provided as under :

| (₹ in crore) | | |
|---|--------------------------|--------------------------|
| Particulars | Year ended 31.03.2012 | Year ended 31.03.2011 |
| i) The amount of revenue recognised on cost plus consultancy contract works | 200.88 | 212.03 |
| 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 | 10243.19 | 9510.18 |
| iv) Cumulative amount of advance received from customers | 12045.80 | 11078.81 |
| v) Amount of retention money with customers | 0.00 | 49.58 |
| vi) Gross amount due from customers for contract works as an asset | 13.58 | 15.38 |
| vii) Gross amount due to customers for contract works as a liability | 1415.10 | 1845.65 |

- 2.37 The company has been entrusted with the responsibility of billing collection and disbursement (BCD) of the transmission charges on behalf of all the interstate transmission licensees (ISTS) through the mechanism of the Point of Connection charges (POC) introduced w.e.f. 01-07-2011 which involves billing based on approved drawl/injection of power in place of old mechanism based on Mega Watt allocation of power by Ministry of Power. By this mechanism, revenue of the company will remain unaffected. Some of the beneficiaries aggrieved by the POC mechanism have preferred appeal before various High Courts of India and continue to make payment as per old system of billing. Due to this, an unrealized amount of ₹ 141.56 crore is included in Trade Receivables. The company has preferred an appeal before the Supreme Court for transferring all the cases in the Delhi High Court and also requested for directing the agitating states to pay full transmission charges as per new methodology pending settlement of the matter.
- 2.38 i) Foreign Exchange Rate Variation (FERV) loss (to the extent not exceeding the difference between the Interest on foreign currency borrowings and local currency borrowings) has been adjusted to borrowing cost amounting to ₹ 672.44 crore (net of ₹ 246.01 crore FERV loss for the construction projects) {previous year FERV loss of ₹ 74.19 crore (net of ₹ 0.27 crore FERV loss for the construction projects)} towards loan liabilities attributable to fixed assets/CWIP.
- ii) FERV Loss of ₹ 882.14 crore (previous year FERV loss ₹ 15.71 crore) has been adjusted in the respective carrying amount of Fixed Assets/Capital work in Progress (CWIP)/lease receivables.

OTHER NOTES (contd...)

- iii) FERV Gain of ₹ Nil (previous year FERV gain of ₹ 77.96 crore) has been recognized in the Statement of Profit and Loss in respect of loans contracted on or after 1st April, 2004 in terms of provisions of AS-11 (revised 2003)
- 2.39 FERV Loss of ₹ 588.01 crore (previous year FERV loss ₹ 0.71 crore) has been shown as FERV Recoverable in statement of Profit and Loss.
- 2.40 Accounting of FERV as stated in note no. 2.38 and 2.39 above, has resulted in decrease in profit for the year by ₹ 84.43 crore (previous year increase in profit by ₹ 4.48 crore).
- 2.41 Effect due to change in accounting policies during the year -**
- i) In view of option allowed by Ministry of Corporate Affairs vide its notification dated 29.12.2011 on Accounting Standard-11, the Company, during the year, has capitalized the Foreign Exchange Rate Variation (FERV) loss arising on account of settlement/restatement of long term monetary liabilities relating to depreciable capital assets. Consequently, FERV loss, which has hitherto charged to Profit & Loss Account has been adjusted in cost of related Fixed Assets/Capital work-in-progress. As a result, profit before tax for the year ended 31.03.2012 after considering the amount of FERV loss recoverable from beneficiaries as per CERC Tariff Regulations 2009 is higher by ₹ 11.93 crore.
- ii) Intangible Assets –Right of Way (Afforestation expenses) were hitherto amortised over the useful life of related assets. During the year company has changed accounting policy in this regard and now these assets are being amortised following the rates and methodology notified by CERC Tariff Regulation with retrospective effect from 01.04.2009. This has resulted in increase in amortisation for the year and Prior Period amortisation of ₹ 7.62 crore and ₹ 11.40 crore respectively.
- 2.42 Unspent expenditure of ₹ 2.04 crore out of the budget for the year towards corporate social responsibility(CSR) which was hitherto transferred to CSR reserve by appropriating profit is now provided for by way of charge to statement of Profit and Loss. An amount of ₹ 13.22 crore appropriated to CSR reserve in earlier years has been treated as prior period item .
- 2.43 Borrowing cost capitalised during the year is ₹ 1667.14 crore (previous Year ₹ 1057.41 crore)
- 2.44 The guidelines issued by the Department of Public Enterprises (DPE) provide for ceiling of percentage of Performance Related Pay (PRP) payable to executives and non-unionized supervisors within the overall limit of 5% of the year's Profit Before Tax. Provision for PRP in the accounts from financial year 2007-08 onwards are made based on the basis of guidelines issued by DPE. Pending approval of the PRP scheme for non-unionized supervisors, payment are made to executives on provisional basis as per PRP scheme and payment to supervisor is being made in accordance to the old "Performance linked Incentive scheme". Provision net of payment outstanding as on 31.03.2012 is ₹ 215.10 crore (previous year ₹ 190.71 crore)
- In respect of Workmen, incentive is being paid as per old "Performance linked incentive scheme".
- 2.45 Disclosures as per Accounting Standards (AS) 15
- Defined employee benefit schemes are as under:-
- A. Provident Fund
- Company pays fixed contribution to Provident Fund at predetermined rate to a separate trust, which invests the funds in permitted securities. Contribution to family pension scheme is paid to the appropriate authorities. The contribution to the fund for the period is ₹ 60.69 crore (previous year ₹ 58.01 crore) recognized as expense and is charged to Statement of Profit and Loss. The obligation of the Company is limited to such fixed contribution and to ensure a minimum rate of interest on contributions to the members as specified by GOI. As per report of actuary over all interest earning and cumulative surplus 'is more' than statutory interest payment requirement. Hence, no further provision is considered necessary.
- 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 on superannuation, resignation, termination, disablement or on death subject to a maximum of ₹ 10 lacs. 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 on the Balance Sheet date.
- C. Post-Retirement Medical Facility (PRMF)
- The Company has Post-Retirement Medical Facility (PRMF), under which retired employees and the spouse are provided medical facilities in the empanelled hospitals. They can also avail treatment as Out-Patient subject to a ceiling fixed

OTHER NOTES (contd...)

by the Company. The scheme is unfunded and liability for the same is recognised on the basis of actuarial valuation on annual basis on the Balance Sheet date.

D. Other Defined Retirement Benefits (ODRB)

The Company has a scheme for settlement at the time of superannuation at home town for employees and dependents to superannuated employees. The scheme is unfunded and liability for the same is recognised on the basis of actuarial valuation on annual basis on the Balance Sheet date.

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

a) Expenses recognised in Statement of Profit and Loss

(₹ in crore)

| Description | GRATUITY | | PRMF | | ODRB | |
|--|--------------|---------------|--------------|---------------|-------------|--------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Yr. | Previous Yr. |
| Current Service Cost | 17.27 | 16.14 | 4.81 | 4.64 | 0.61 | 0.54 |
| Interest cost on benefit obligation | 27.05 | 19.78 | 10.03 | 6.79 | 0.90 | 0.83 |
| Expected return on plan assets | (27.05) | (21.02) | - | - | - | - |
| Net actuarial (gain)/loss recognized in the year | 10.18 | 78.29 | 20.86 | 32.40 | 0.78 | (0.02) |
| Expenses recognized in the Profit and Loss a/c. | 27.45 | 93.20 | 35.71 | 43.83 | 2.31 | 1.35 |

b) Actual return on plan assets is ₹ 27.77 crore (previous year ₹ 21.74 crore)

c) The amount recognized in the Balance Sheet

(₹ in crore)

| Description | GRATUITY | | PRMF | | ODRB | |
|---|--------------|---------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Present value of obligation as at 31/03/2012(i) | 357.73 | 318.28 | 148.53 | 117.99 | 12.62 | 10.64 |
| Fair value of plan assets as at 31/03/2012 (ii) | 354.62 | 293.99 | - | - | - | - |
| Difference (ii) – (i) | (3.11) | (24.29) | (148.53) | (117.99) | (12.62) | (10.64) |
| Net asset (liability) recognized in the Balance Sheet | (3.11) | (24.29) | (148.53) | (117.99) | (12.62) | (10.64) |

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

(₹ in crore)

| Description | GRATUITY | | PRMF | | ODRB | |
|--|--------------|---------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Present value of obligation as at 01/04/2011 | 318.28 | 247.25 | 117.99 | 84.86 | 10.64 | 10.42 |
| Interest cost | 27.05 | 19.78 | 10.03 | 6.79 | 0.91 | 0.83 |
| Current Service Cost | 17.27 | 16.14 | 4.81 | 4.64 | 0.61 | 0.54 |
| Benefits paid | (15.77) | (25.55) | (5.17) | (3.53) | (0.33) | (0.49) |
| Net actuarial (gain)/loss on obligation | 10.90 | 81.11 | 20.86 | 32.40 | 0.79 | (0.02) |
| Present value of the defined benefit obligation as at 31/03/2012 | 357.73 | 338.74 | 148.53 | 125.16 | 12.62 | 11.29 |
| Less : Liabilities transferred from Powergrid books to POSOCO books for employees transferred on Secondment basis to POSOCO. | | (20.46) | | (7.17) | | (0.65) |

OTHER NOTES (contd...)

(₹ in crore)

| Description | GRATUITY | | PRMF | | ODRB | |
|---|--------------|---------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Net Present value of the defined benefit obligation as at 31/03/2012 in Powergrid Books | 357.73 | 318.28 | 148.53 | 117.99 | 12.62 | 10.64 |

e) Changes in the fair value of plan assets:

(₹ in crore)

| Description | GRATUITY | |
|--|--------------|---------------|
| | Current Year | Previous Year |
| Fair value of plan assets as at 01/04/2011 | 318.28 | 247.25 |
| Expected return on plan assets | 27.05 | 21.02 |
| Contribution by employer | 24.34 | 48.45 |
| Benefits paid | (15.77) | (25.55) |
| Actuarial gain/(loss) | 0.72 | 2.82 |
| Fair value of plan assets as at 31/03/2012 | 354.62 | 293.99 |

f) During the year the company has provided liability for pension contribution payable as superannuation benefits as per DPE Guidelines amounting to ₹ 30.36 crore (previous year reversal of ₹ 44.26 crore). The Scheme of superannuation benefits is yet to be finalized.

E. Other Employee Benefits

Provision for Leave encashment amounting to ₹ 60.33 crore (previous Year ₹ 16.52 crore) for the year has been made on the basis of actuarial valuation at the year end and charged to Statement of Profit and Loss.

Provision for Long Service Award amounting to ₹ 8.67 crore (including for earlier years ₹ 7.43 crore) have been made on the basis of actuarial valuation at the year end.

F. Details of the Plan Asset (Gratuity)

The details of the plan assets at cost as on 31st March, 2012 are as follows:-

(₹ in crore)

| | (At Purchase Value) | |
|---|---------------------|---------------|
| | Current Year | Previous Year |
| i) State Government Securities | 41.92 | 39.38 |
| ii) Central Government Securities | 64.18 | 55.53 |
| iii) Corporate Bonds/Debentures | 242.55 | 203.50 |
| iv) RBI Special Deposit | 5.13 | 5.13 |
| v) Other Assets | 23.09 | 10.39 |
| Total:- | 376.87 | 313.93 |
| Less : Share of POSOCO in the plan Assets | 22.25 | 19.94 |
| Grand Total | 354.62 | 293.99 |

G. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

- i) Method used - Projected unit credit (PUC)
- ii) Discount rate - 8.5% (previous Year 8%)
- ii) Expected rate of return on assets (Gratuity only) – 8.50 % (previous Year 8.50%)
- iv) Future salary increase - 6% (previous Year 5.5%)

The estimate of future salary increases, considered in actuarial valuation, takes into account (i) inflation, (ii) Seniority (iii) Promotion and (iv) Other relevant factors, such as supply and demand in the employment market. Further the expected return

OTHER NOTES (contd...)

on plan assets is determined considering several applicable factors mainly the composition of plan assets, assessed risk of asset management and historical return for plan assets.

- H. The Company's best estimate of contribution towards gratuity for the financial year 2012-13 is ₹ 22.36 crore (previous year ₹ 9.14 crore)
- I. The effect of the percentage point increase/decrease in the medical cost of PRMF will be as under:-

| (₹ in crore) | | |
|-----------------------------|-------------|-------------|
| Particulars | Increase by | Decrease by |
| Service and Interest Cost | 2.12 | 3.65 |
| Present value of obligation | 14.13 | 16.74 |

- J. Experience Adjustments

| (₹ in crore) | | |
|------------------------------|-----------------------|-----------------------|
| | Year ended 31.03.2012 | Year ended 31.03.2011 |
| Gratuity | | |
| i) Plan assets – Loss/(Gain) | (0.72) | (2.82) |
| ii) Obligation- Loss/(Gain) | 10.90 | 81.11 |
| PRMF | | |
| Obligation – Loss/(Gain) | 20.86 | 32.40 |
| ODRM | | |
| Obligation – Loss/(Gain) | 0.79 | (0.02) |

2.46 Segment information:

a) Business Segments

The Company's principal business is transmission of bulk power across different States of India. However, Power System Operation Assets, ULDC, RLDC, telecom and consultancy business are also treated as a reportable segment in accordance with para 28 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.

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 long term and short term borrowings, current and non current liabilities and provisions

Segment Reporting

| (₹ in crore) | | | | | | | | | | | | | | |
|---|-------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | Business Segments | | | | | | | | | | | | | |
| | Transmission | | Consultancy | | Telecom | | RLDCs * | | ULDCs | | 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 | Current Year | Previous Year |
| Revenue: | | | | | | | | | | | | | | |
| Revenue from Operations | 9362.48 | 7683.84 | 289.95 | 299.35 | 201.19 | 187.20 | - | 86.69 | 181.71 | 131.62 | - | - | 10035.33 | 8388.70 |
| Inter Segment Revenue | | | | | 8.81 | 3.69 | | | | | (8.81) | (3.69) | | |
| Net Revenue from Operations | 9362.48 | 7683.84 | 289.95 | 299.35 | 210.00 | 190.89 | - | 86.69 | 181.71 | 131.62 | (8.81) | (3.69) | 10035.33 | 8388.70 |
| Segment result | 4320.79 | 3384.33 | 163.36 | 165.28 | 45.77 | 33.42 | - | 20.19 | 50.88 | 122.36 | - | - | 4580.80 | 3725.58 |
| Unallocated Corporate interest and other income | | | | | | | | | | | | | 88.72 | 118.91 |

OTHER NOTES (contd...)

(₹ in crore)

| | Business Segments | | | | | | | | | | | | | |
|--|-------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | Transmission | | Consultancy | | Telecom | | RLDCs * | | ULDCs | | 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 | Current Year | Previous Year |
| Unallocated corporate expenses, interest and finance charges | | | | | | | | | | | | | 71.92 | 19.76 |
| Profit Before Tax | | | | | | | | | | | | | 4597.60 | 3824.73 |
| Provision for Tax | | | | | | | | | | | | | 1342.65 | 1127.84 |
| Profit after Tax | | | | | | | | | | | | | 3254.95 | 2696.89 |
| Other information: | | | | | | | | | | | | | | |
| Segment Assets | 81563.84 | 65063.29 | 2941.03 | 3071.98 | 817.29 | 791.75 | - | 136.94 | 1009.20 | 1021.31 | | | 86331.36 | 70085.27 |
| Unallocated Corporate and other assets | | | | | | | | | | | | | 5884.72 | 5636.30 |
| Total Assets | | | | | | | | | | | | | 92216.08 | 75721.57 |
| Segment Liabilities: | 61020.57 | 46849.23 | 1772.43 | 2066.72 | 711.71 | 708.63 | - | 155.98 | 605.22 | 855.51 | | | 64109.93 | 50636.07 |
| Unallocated Corporate and other liabilities | | | | | | | | | | | | | 4618.37 | 3718.50 |
| Total liabilities | | | | | | | | | | | | | 68728.30 | 54354.57 |
| Depreciation and Amortization | 2432.06 | 2084.71 | 0.43 | 0.35 | 56.02 | 49.31 | - | 32.89 | 84.03 | 32.13 | | | 2572.54 | 2199.39 |
| Capital Expenditure | 15515.14 | 9810.37 | 0.31 | 0.23 | 80.04 | 62.65 | - | - | 60.21 | 2.12 | | | 15655.70 | 9875.37 |

* Transferred to Power System Operation Corporation Ltd. w.e.f. 01.10.2010.

d) The operation of the Company mainly carried out within the country and therefore there is no reportable geographical segment.

2.47 Related Party Disclosures:-

a) List of Related Parties:-

i) Key Management Personnel

| | |
|---------------------|---|
| Sh. R.N. Nayak | Chairman and Managing Director (w.e.f. 1 st September, 2011). He ceased to be Director (Operations) w.e.f. 1 st September, 2011 |
| Sh. I.S. Jha | Director (Projects) |
| Sh. R.T. Agarwal | Director (Finance) w.e.f. 29 th July, 2011 |
| Sh. V.M. Kaul | Director (Personnel) (Superannuated on 31 st March, 2012) |
| Sh. S.K. Chaturvedi | Chairman and Managing Director (Superannuated on 31 st August, 2011) |
| Sh. J. Sridharan | Director(Finance) (Superannuated on 30 th April, 2011) |

ii) Subsidiaries:-

- Power System Operation Corporation Limited (POSOCO)
- Nagapattinam Madhugiri Transmission Company Limited

iii) Joint Ventures:-

- Powerlinks Transmission Limited
- Torrent Power Grid Limited
- Jaypee Powergrid Limited
- Parbati Koldam Transmission Company Ltd

OTHER NOTES (contd...)

- v) Teestavalley Power Transmission Limited
- vi) North East Transmission Company Limited
- vii) National High Power Test Laboratory Private Limited
- viii) Energy efficiency Services Limited.

b) Transactions with the related parties at 2.47 (a) above are as follows:

(₹ in crore)

| Particulars | Current year | Previous Year |
|--|--------------|---------------|
| Transactions during the year for services received by the company | 27.39 | 7.67 |
| Transactions during the year for services provided by the company* | 52.50 | 65.34 |
| Amount recoverable from related parties | 36.51 | 18.02 |
| Amount payable to related parties | 37.89 | 17.40 |
| Investment made during the year | 72.86 | 97.30 |
| Dividend Received | 52.37 | 74.82 |
| Deputation of Employees | 0.66 | 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 is ₹ 2.10 crore previous year ₹ 1.77 crore) and amount of dues outstanding to the Company as on 31st March, 2012 are ₹ 0.05 crore (previous year ₹ 0.07 crore).

2.48 Disclosures regarding leases

a) Finance Leases :-

Long Term Loans and Advances and Short Term Loans and Advances 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” notified under the Companies Act, 1956. The reconciliation of the lease receivables (as per project cost data submitted to / approved by CERC for tariff fixation) is as under:

(₹ in crore)

| Particulars | Amount as on 31.03.2012 | Amount as on 31.03.2011 |
|---|-------------------------|-------------------------|
| Gross value of assets acquired and leased at the beginning of the year. | 994.06 | 989.03 |
| Add Adjustment for gross value of assets acquired prior to the beginning of the year. | 1.86 | 5.03 |
| Revised Gross value of the assets at the beginning of the year. | 995.92 | 994.06 |
| Less Capital recovery provided up to the beginning of the year. | 390.23 | 325.51 |
| Add Capital recovery for assets acquired prior to the beginning of the year. | 78.98 | 2.06 |
| Revised Capital recovery provided up to the beginning of the year. | 469.21 | 327.57 |
| Capital recovery outstanding as on 31 st March of last financial year. | 526.71 | 666.49 |
| Less Capital recovery for the current year. | 113.24 | 62.66 |
| Lease receivables | 413.47 | 603.83 |

Gross investment in lease and present value of minimum lease payments receivables as at 31st March, 2012 for each of the periods are as under:

(₹ in crore)

| Particulars | Amount as on 31.03.2012 | Amount as on 31.03.2011 |
|--|-------------------------|-------------------------|
| Gross investment in Lease | 531.02 | 819.40 |
| Un-earned Finance Income | 117.55 | 215.57 |
| Present value of Minimum Lease Payment (MLP) | 413.47 | 603.83 |

The unearned finance income as on 31st March, 2012 is ₹ 117.55 crore (previous year ₹ 215.57 crore).

OTHER NOTES (contd...)

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

(₹ in crore)

| Particulars | Gross Investment in Lease | | Present Value of MLPs | |
|---|---------------------------|---------------|-----------------------|---------------|
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| Not later than one year | 90.67 | 114.83 | 59.55 | 67.31 |
| Later than one year and not later than five years | 341.90 | 459.30 | 266.40 | 322.14 |
| Later than five years | 98.45 | 245.27 | 87.52 | 214.38 |
| Total | 531.02 | 819.40 | 413.47 | 603.83 |

b) Operating leases:-

The Company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices and guest houses/transit camps are usually renewable on mutually agreed terms but are not non-cancellable. Employees' remuneration and benefits include ₹ 32.40 crore (previous Year ₹ 26.67 crore) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments of ₹ 8.14 crore (previous Year ₹ 6.27 crore) in respect of premises for offices and guest house/transit camps are shown under Rent in Note 2.30 Transmission, Administration and Other expenses.

2.49 The elements considered in calculation of Earning Per Share (Basic and Diluted) are as under:

| | Current Year | Previous Year |
|---|--------------|---------------|
| Net Profit after tax used as numerator (₹ in crore) | 3254.95 | 2696.89 |
| Weighted average number of equity shares used a denominator | 4629725353 | 4357592057 |
| Earning per share (Basic & Diluted) (in ₹) | 7.03 | 6.19 |
| Face Value per share (in ₹) | 10.00 | 10.00 |

2.50 Interest in Joint Ventures

Joint Venture entities

| Name of the company | Proportion (%) of ownership as on | |
|---|-----------------------------------|------------|
| | 31.03.2012 | 31.03.2011 |
| Powerlinks Transmission Limited | 49% | 49% |
| Torrent Power Grid Limited | 26% | 26% |
| Jaypee Powergrid Limited | 26% | 26% |
| Parbati Koldam Transmission Company Ltd | 26% | 26% |
| Teestavalley Power Transmission Limited * | 26% | 26% |
| North East Transmission Company Limited | 26% | 26% |
| National High Power Test Laboratory Private Limited | 25% | 25% |
| Energy Efficiency Services Limited | 25% | 25% |

* The accounts are unaudited

Under the Transmission Service Agreement (TSA) with Powerlinks Transmission Ltd, the company has an obligation to purchase the JV company (Powerlinks Transmission Ltd) at a buyout price determined in accordance with the TSA. Such an obligation may result in case JV company (Powerlinks Transmission Ltd) serves a termination notice either on "POWERGRID event of default" or on "force majeure event" prescribed under TSA. No contingent liability on this account has been considered as the same is not ascertainable.

The above joint venture companies are incorporated in India. The company's share in assets, liabilities, contingent liabilities and capital commitment as on 31st March 2012 and income and expenses for the year in respect of above joint venture entities based on their accounts are given below:-

OTHER NOTES (contd...)

| | (₹ in crore) | |
|---|------------------------|-------------------------|
| | 31.03.2012 | 31.03.2011 |
| A. Assets | | |
| • Non Current Assets | | |
| Fixed Assets | 1415.76 | 1119.93 |
| Long term loans and advances | 37.50 | 30.64 |
| • Current Assets | 166.14 | 179.78 |
| Total | 1619.40 | 1330.35 |
| B. Equity and Liabilities | | |
| • Shareholders fund | 524.14 | 444.63 |
| • Non current liabilities | 942.76 | 740.08 |
| • Current Liabilities | 152.50 | 145.64 |
| Total | 1619.40 | 1330.35 |
| C. Contingent Liabilities | 9.58 | 0.10 |
| D. Capital Commitments | 231.23 | 305.49 |
| E. Income | Current Year 164.09 | Previous Year 157.88 |
| F. Expenses(Including provision for taxes) | 105.67 | 104.95 |

- 2.51 In accordance with AS-28 "Impairment of Assets", impairment analysis of assets of transmission activity & telecom activity of the company by evaluation of its cash generating units, was carried out by an outside agency in the year 2004-05 & 2006-07 respectively and since recoverable amount was more than the carrying amount thereof, no impairment loss was recognised. The company has assessed as on the Balance Sheet date whether there are any indications with regard to impairment of any of the assets. Based on such assessment it has been ascertained that no potential loss is present and therefore no formal estimate of recoverable amount has been made. Accordingly, no impairment loss has been provided in the accounts.
- 2.52 Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 41949.50 crore (previous year ₹ 30612.06 crore).
- 2.53 Contingent Liabilities
1. Claims against the Company not acknowledged as debts in respect of :
 - i) Capital Works

Some of the contractors for supply and installation of equipments and execution of works at our projects have lodged claims on the company for ₹ 73.15 crore (previous year ₹ 1780.92 crore) seeking enhancement of the contract price, revision of work schedule with price escalation, compensation for the extended period of work, idle charges etc. These claims are being contested by the Company as being not admissible in terms of the provisions of the respective contracts.

The Company is pursuing various options under the dispute resolution mechanism available in the contract for settlement of these claims. It is not practicable to make a realistic estimate of the outflow of resources, if any, for settlement of such claims pending resolution.
 - ii) Land Compensation cases

In respect of land acquired for the projects, the land losers have claimed higher compensation before various authorities/courts which are yet to be settled. In such cases, contingent liability of ₹ 1765.09 crore (previous year ₹ 1328.87 crore) has been estimated.
 - iii) Other claims

In respect of claims made by various State/Central Government Departments/Authorities towards building permission fees, penalty on diversion of agriculture land to non-agriculture use, Nala tax, water royalty etc. and by others, contingent liability of ₹ 11.72 crore (previous year ₹ 52.92 crore) has been estimated.
 - iv) Disputed Tax/Sales Tax/Excise Matters

Disputed Income Tax/Sales Tax/Excise Matters are pending before various Appellate Authorities amounting to ₹ 257.86 crore (previous year ₹ 102.57 crore) are disputed by the Company and contested before various Appellate Authorities. Many of these matters are disposed off in favour of the company but are disputed before higher authorities by the concerned departments.

OTHER NOTES (contd...)

v) Others

- Other contingent liabilities amounts to ₹ 80.16 crore (previous year ₹ 105.98 crore)
- Some of the beneficiaries have filed appeals against the tariff orders of the CERC. The amount of contingent liability in this regard is not ascertainable.

- Special purpose vehicle (SPV) company namely Nagapattinam Madugiri Transmission Company Ltd. (wholly owned subsidiary) has been taken over to carry over the business awarded under Tariff based bidding. Bank guarantee of ₹ 45.00 crore has been given by the company on behalf of SPV towards performance of the work awarded.

2.54 a) VALUE OF IMPORTS CALCULATED ON CIF BASIS :

| | (₹ in crore) | |
|------------------|--------------|---------------|
| | Current Year | Previous Year |
| i) Capital Goods | 2164.70 | 1820.36 |
| ii) Spare Parts | 26.49 | 2.95 |

b) EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)

| | (₹ in crore) | |
|--------------------------------------|--------------|---------------|
| | Current Year | Previous Year |
| i) Professional and Consultancy fees | Nil | 1.76 |
| ii) Interest | 152.30 | 153.19 |
| iii) Others | 22.89 | 9.36 |

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

| | (₹ in crore) | | | |
|---------------------------------|--------------|--------------|--------|---------------|
| | % | Current Year | % | Previous Year |
| i) Imported | 2.55% | 1.32 | 7.12% | 2.85 |
| ii) Indigenous (Including fuel) | 97.45% | 50.45 | 92.88% | 36.49 |

d) EARNINGS IN FOREIGN EXCHANGE

| | (₹ in crore) | |
|-----------------|--------------|---------------|
| | Current Year | Previous Year |
| Interest | Nil | 0.01 |
| Consultancy Fee | 9.65 | 19.37 |

- Figures have been rounded off to nearest rupees in crore up to two decimal.

- Previous year figures have been regrouped / rearranged wherever considered necessary.

For and on behalf of the Board of Directors

(Divya Tandon)
Company secretary

For S.K. Mehta & Co.
Chartered Accountants
Firm Regn No. 000478 N

(S.K.Mehta)
Partner
Membership No. 010870

(R.T. Agarwal)
Director (Finance)

As per our report of even date
For Chatterjee & Co.
Chartered Accountants
Firm Regn No. 302114 E

(S.K.Chatterjee)
Partner
Membership No. 003124

(R. N. Nayak)
Chairman & Managing Director

For Sagar & Associates
Chartered Accountants
Firm Regn No. 003510 S

(V.Vidyasagar Babu)
Partner
Membership No. 027357

Place: New Delhi
Date: 29th May, 2012

Auditors' Report

**To the Members of
Power Grid Corporation of India Limited**

1. We have audited the attached Balance Sheet of Power Grid Corporation of India Limited as at 31st March, 2012, and the Statement of Profit and Loss and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub section (4A) of section 227 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.
4. We draw attention to Note No. 2.25(a) & 2.25(c) in respect of provisional recognition of revenue from transmission charges.
5. Further to our comments in the annexure referred to in paragraph 3 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 those books;
 - c) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956;
 - e) Being a Government Company, pursuant to the Notification no. GSR 829(E) dated 21.10.2003, 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 the Company;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with Accounting Policies and Notes on Accounts annexed thereto 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 31st March, 2012;
 - ii) in the case of Statement of Profit and Loss, of the profit of the Company 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 S. K. MEHTA & CO.
Chartered Accountants
Firm Registration No. 000478N

For CHATTERJEE & CO.
Chartered Accountants
Firm Registration No. 302114E

For SAGAR & ASSOCIATES
Chartered Accountants
Firm Registration No. 003510S

(S.K. Mehta)
Partner
Membership No. 010870

(S.K. Chatterjee)
Partner
Membership No. 003124

(V. Vidyasagar Babu)
Partner
Membership No. 007357

Place: New Delhi

Dated: 29th May, 2012

Annexure to the Auditors' Report

RE: POWER GRID CORPORATION OF INDIA LIMITED

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

- (i) a) The Company has generally maintained records of Fixed Assets, showing full particulars including quantitative details and situation of Fixed Assets.
- b) The fixed 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.
- (ii) a) Physical verification of inventories lying with the company has been conducted during the year by the external agencies. In respect of material lying with contractors, company is having system of obtaining confirmation from contractors on periodic basis. In our opinion system and 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 inventories have been properly dealt with in the books of account.
- (iii) According to the information and explanations given to us, 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.
In view of above, other paragraphs of clause (iii) of paragraph 4 of the Order are not applicable.
- (iv) 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 sales of services. During the course of our audit we have not observed any continuing failure to correct major weaknesses in the underlying internal control systems. However process of contract closing work needs to be further expedited.
- (v) According to the information and explanations given to us, there are no contracts or arrangements during the year referred to in section 301 of the Companies Act 1956, to be entered in the register maintained under that section. In view of above other paragraphs of clause (v) of paragraph 4 of the Order are not applicable.
- (vi) 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 58A, 58AA and other relevant provisions of the Companies Act, 1956, and rules framed there under, does not arise.
- (vii) 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.
- (viii) We have broadly reviewed the cost records maintained by the company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209 (1)(d) of the Companies Act, 1956, in respect of Transmission & Telecom Operations of the Company and we are of the opinion that prima facie the prescribed records have been made and maintained. We have, however, not made detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (ix) a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues with appropriate authorities including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other statutory dues applicable to the Company and that there are no undisputed statutory dues outstanding as on 31st March, 2012 for a period of more than six months from the date they became payable. As informed, provisions of the Employees State Insurance Act are not applicable to the Company.
- b) According to information and explanations given to us, following disputed demands of income tax / sales tax / customs duty / wealth tax / service tax / excise duty / cess dues have not been deposited:

| Nature of dues | Amount (₹ in crore) | Forum where the disputes are pending |
|----------------|------------------------|---|
| Entry Tax | 0.02 | Appellate Board, Commercial Tax Department, Madhya Pradesh |
| Entry Tax | 1.05 | Dy. Commissioner (Appeals), Commercial Tax Department, Madhya Pradesh |
| Entry Tax | 11.40 | Joint Commissioner of Commercial Tax (Appeal), Patna |

Annexure to the Auditors' Report (contd...)

| Nature of dues | Amount (₹ in crore) | Forum where the disputes are pending |
|---|------------------------|--|
| Entry Tax | 5.98 | Honbl. High Court, Punjab & Haryana |
| Sales Tax | 33.89 | J&K State, Sales Tax Appellate Tribunal |
| Sales Tax | 18.51 | Dy. Commissioner of Sales Tax (Appeal), Jammu, J&K State |
| Service Tax | 1.57 | Commissioner of Central Excise, Patna |
| Diversion Tax (For non-agriculture use of land) | 2.23 | S D O, Itarsi |
| Income Tax | 160.84 | Commissioner of Income Tax (Appeals), Delhi. |
| Income Tax | 2.60 | Income Tax Appellate Tribunal, Delhi. |
| Total | 238.09 | |

- (x) 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.
- (xi) 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.
- (xii) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) 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.
- (xiv) 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.
- (xv) In the case of Power Link Transmission Limited, wherein the Company has pledged its shares in favour of financial institutions for financial assistance obtained by the said company, as per the terms and conditions of Joint Venture agreement. According to the information and explanations given to us, except the above, the Company has not given any guarantee for loans taken by others from banks or financial institutions. In our opinion and to the best of our information and according to explanations given to us, the terms and conditions of the above share pledge agreement are not, prime facie, prejudicial to the interest of the company.
- (xvi) In our opinion on an overall basis and according to the information and explanations given to us, the company has applied the term loans for the purpose, they were raised during the year.
- (xvii) In our opinion, on an overall basis, and according to the information and explanations given to us, the company has not used the funds raised on short term basis for long term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any debentures. However, in respect of certain bonds raised during the year amounting to ₹ 2,655 crore security/ charge is yet to be created.
- (xx) The end use of money raised by Follow-on Public Offer during the year 2010-11 as stated in the draft prospectus filed with SEBI and offer document are disclosed in the Note No. 2.34 to the financial statements and the same has been duly verified by us.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. K. MEHTA & CO.
Chartered Accountants
Firm Registration No. 000478N

For CHATTERJEE & CO.
Chartered Accountants
Firm Registration No. 302114E

For SAGAR & ASSOCIATES
Chartered Accountants
Firm Registration No. 003510S

(S.K. Mehta)
Partner
Membership No. 010870

(S.K. Chatterjee)
Partner
Membership No. 003124

(V. Vidyasagar Babu)
Partner
Membership No. 027357

Place: New Delhi

Dated: 29th May, 2012



Power System Operation Corporation Limited - Subsidiary Company

Directors' Report

To,

The Members,

I, on behalf of the Board of Directors' present the third Report of Power System Operation Corporation Limited (POSOCO) together with the audited Statement of Accounts, Auditors' Report and Review of the Accounts by the Comptroller and Auditor General of India for the Financial Year 2011-12.

Your Company has been incorporated for independent and neutral operation of the Power System. Ministry of Power vide its notification dated 27.9.2010 notified that POSOCO shall operate the five Regional Load Despatch Centres(RLDCs) and the National Load Despatch Centre (NLDC)w.e.f. 1.10.2010. There are five regional grids, namely North, West, East, North- East and South. First four of the above five regional electricity grids are operating in a synchronous mode since 26th August, 2006 and the interconnection is called the 'NEW Grid'. The Southern Regional Grid is presently connected to the NEW Grid through several High Voltage Direct Current (HVDC) asynchronous ties and a few AC lines in radial mode. As per the Electricity Act, 2003 RLDCs are Apex bodies to ensure integrated operation in the concerned region. NLDC has been designated as Apex body to ensure integrated operation of National Power System vide Ministry of Power notification dated 2.3.2005. The RLDCs are responsible for carrying out real time operations for grid control and despatch of electricity within the region through secure and economic operation of the regional grid in accordance with the Grid Standards and the Grid Code notified by the Central Electricity Regulatory Commission (CERC).

POSOCO is committed to ensure Integrated Operation of Regional and National Power Systems to facilitate transfer of electric power within and across the regions and trans-national exchange of power with Reliability, Security and Economy and fulfilling the various other functions assigned by the Govt. of India, from time to time.

Your Company had signed its maiden MoU in accordance with the DPE guidelines with POWERGRID, the Holding Company for 2011-12. I am happy to share that your Company is poised to get "Excellent MoU rating" for 2011-12. The MoU for the F.Y. 2012-13 was signed on 26th March, 2012. The MoU includes various targets to be achieved by POSOCO during the FY 2012-13, including financial parameters, dynamic parameters and enterprise specific & efficiency parameters applicable to POSOCO. In compliance with the DPE Guidelines, the mandatory non -financial parameters i.e. CSR, R&D and Sustainable Development have also been included in the MoU for the first time.

Revenue stream of POSOCO

Financial independence is of utmost importance to an organisation to work in an unbiased manner. It is in this context, CERC notified 'Fee and Charges of Regional Load Despatch Centres and other Related Matters' Regulations in Sept'09. The Regulations have ensured an independent revenue stream and financial autonomy for the Company. Eighty four generating stations, forty five distribution licensees and thirteen inter - state transmission licensees availing the services of the RLDCs and NLDC shall be paying the charges of the RLDCs and NLDC totalling to ₹ 934 Crore for the control period 2009-14.

Financial Highlights

| | ₹ Crore | |
|--|---------|-------------------------|
| | 2011-12 | 2010-11 (six months) |
| Turnover | 214.34 | 115.71 |
| Gross Margin | 99.98 | 58.56 |
| Depreciation | 20.11 | 30.92 |
| Prior period income | (5.76) | -- |
| Profit before Interest and Taxes(PBIT) | 85.63 | 27.64 |
| Finance cost | 5.74 | 1.23 |
| Profit Before Tax(PBT) | 79.89 | 26.41 |
| Profit After Tax(PAT) | 50.52 | 11.21 |
| Gross Fixed Assets | 281.49 | 276.78 |
| Debt | 0.00 | 40.31 |
| Net Worth | 46.52 | 30.64 |

Dividend Payout

Your Board of Directors have recommended a final dividend of ₹1.5 per share for the year 2011-12 in addition to an interim dividend of ₹1.5 per share paid in March, 2012. The final dividend shall be paid after your approval at the Annual General Meeting. The total dividend pay-out for the year amounts to ₹9.2 Crore.

Operational feedback

National Load Despatch Rules, 2005 specifies providing Operational Feedback for National Grid Planning to Central Electricity Authority and Central Transmission Utility as one of the functions of NLDC. Quarterly Feedback on Transmission Constraints is being submitted to CEA & CTU at regular intervals. NLDC has submitted Operational Feedbacks on various issues, like feedback on Transmission Constraints, requirement of Special Protection Schemes, Market and Operational Issues, Dedicated lines for Transmission systems and Need for a generic Treatment of such lines in case the same is shared by two or more users or Operates in parallel to the ISTS Lines and Synchro-phasor- Initiatives in India.

Frequency Response Characteristic (FRC)

Frequency Response Characteristic (FRC) is a measure of the natural change in frequency to a given mismatch in load and generation. Frequency response in an electric power system is essentially provided by natural damping of loads with frequency and primary response of generators. The importance of primary response has been brought out in the CERC (Indian Electricity Grid Code) Regulations, 2010.

A draft procedure developed by the RLDCs in accordance with the directions of CERC for monitoring of control area wise FRC after discussions in the meeting of Forum of Load Despatchers (FOLD) held in June '12 had been circulated among all the stakeholders for their comments/ inputs and has been submitted to CERC.

Implementing Agency for Sharing of Inter state Transmission Charges & Losses –POC Mechanism

NLDC as Implementing Agency for implementing Sharing of Inter State Transmission Charges and Losses submitted the computations of Point of Connection (PoC) Charges and Losses in June, 2011 for implementation of the same for 2011-12 which were notified by CERC w.e.f.1.7.2011. Subsequently, the computations of Point of Connection (PoC) Charges and Losses were also carried out for first half of 2012-2013 and the results were submitted to CERC. The new PoC rates and PoC losses were implemented w.e.f. 1st April, 2012.

CAPEX Utilization

CERC has approved Capital Expenditure (CAPEX) for up-gradation of SCADA/ EMS, IT System, Civil work etc. Major expenditure under CAPEX is for replacement of the existing SCADA system of the RLDCs. The SCADA schemes are being implemented in a unified manner in all the regions. Process of placement of LoAs has been initiated. Your Company shall endeavour to achieve the utilization of the CAPEX approved by the CERC during the control period (i.e. 2009-14).

Participation in Regulatory Reforms Process

The RLDCs and NLDC have been giving feedback and inputs at various stages of formulation of the regulations pertaining to the design and operational aspects. The RLDCs and NLDC make best efforts towards implementing these Regulations in letter and spirit through feedbacks and participation in the Regulatory process. During the year, POSOCO has given comments to CERC on a number of Regulations, viz. Sharing of Inter State Transmission Charges and Losses, Indian Electricity Grid Code, UI & Related Matters, Grant of connectivity, Medium Term Open Access and Long term Access and Sharing of Inter State Transmission Charges and Losses.

Renewable Energy Certificate (REC) Mechanism

REC is a market based instrument which will accelerate new investments in Renewable Energy Sector and introduce competition in purchase of renewable energy. Under this mechanism, the RE generator can now sell the electricity component locally at the price of conventional electricity and trade the environmental attribute in the form of REC separately. NLDC, as Central Agency is the administrator of this mechanism and is responsible for registration of eligible entities, issuance of certificates and maintaining and settling accounts in respect of certificates. The trading of RECs through Power Exchanges is facilitated by NLDC.

As on 30th June, 2012, 606 RE Generators have been 'Accredited' with a total capacity of 3220 MW; 486 RE generators with cumulative capacity of 2773 MW have been 'Registered' and more than 16.6 lakh RECs (non-solar) and 573 Solar RECs have been issued. About 15 lakh RECs worth ₹400Crore were traded and redeemed in sixteen successful REC trades that have taken place up to 30.06.2012.

Quality

In our endeavour to provide quality services to its valued stakeholders, the areas requiring improvement are identified and immediately addressed. Your Company is certified with Integrated Management System as per Publicly Available Specification, PAS 99:2006 integrating requirement of ISO 9001:2008 for Quality, ISO 14001:2004 for Environment Management, OHSAS 18001:2007 for Safety and Health Management System.

Participation at International Forums

Your Company participated in various international forums like TSO Comparison Group for the International Benchmarking of Transmission System Operators and Very Large Power Grid Operators (VLPGO) group comprising of the 14 largest international power grid operators for sharing of best practices, energy cooperation in the SAARC region and the development of a SAARC Electricity Market, Colloquium of the CIGRE Study Committee B5 organized at Lausanne, Switzerland, FERC Conference on Increasing Market and Planning Efficiency held at Washington.

Several training programmes and visits were organised for distinguished foreign delegates from countries like Bhutan, Myanmar, Bangladesh, Mauritius, Kenya, Sierra Leone, Syria, Ghana, Dominican, Zimbabwe, China.

Forum of Load Despatchers (FOLD)

A SCADA Conclave was organised by FOLD in June'11. The conclave was aimed at gathering information on the latest technologies available in the field of SCADA-EMS. A Workshop on Common Information Model (CIM) was also organised in Sept'11 at New Delhi. The workshop focused on gathering knowledge on the latest technologies and vendor's perspective.

Leveraging Technology: System Logistics

Increased complexity of Power System has necessitated the need for time synchronized measurements using wide area measurements (WAMS) technologies. Synchrophasor measurements are provided by PMU (Phasor Measurement Units) and enable us to understand the dynamic behaviour of the system. Presently, fourteen PMUs have been commissioned. Placement of PMUs at more than fifty locations with PDCs at all RLDCs and NLDC has been envisaged under the pilot projects taken up by the RLDCs during 2012-13. NLDC shall be equipped with all the PMU data to be installed under the pilot projects with required visualization.

Replacement and up-gradation of existing SCADA/EMS system in the RLDCs is under progress. The new SCADA systems at all the RLDCs are expected to be commissioned by the end of the control period i.e. 2013-14.

Employees – our Assets

POSOCO being a Knowledge based Organisation, Human Capital are POSOCO's most valued resource. POSOCO is committed to ensuring a motivated and engaged workforce. A special focus on Employee Development is in place and the employees are kept informed on technological developments and updation. Employee development activities such as workshops, symposia, conferences, presentations etc. had been organised during the year for continual capacity building and capability enhancement of employees. Conferences were held on Transmission Pricing, FGMO and Black Start and several other Power System related topics, Renewable Energy Certificate Mechanism, Ancillary Services and other technology related topics.

Power System Operator Training Programme was organised for Load Despatchers. The faculty included recognised field experts from Industry, Academia, LDCs and Regulatory Bodies. More than 200 participants from State Load Despatch Centres (SLDCs), RLDCs and NLDC attended the training at PSTI, Bangalore in 2011. Subsequently, an all India online Power System Operator Certification Exam was held on 6th November 2011, wherein 111 System Operators from POSOCO were successfully certified. The successfully certified System Operators were conferred certificates by Hon'ble Union Minister of State for Power in a Conferment Ceremony held on Feb'12.

Internationally recognised field experts from academia and Industry have been invited to visit RLDCs and NLDC and interact with employees to keep our employees updated about the latest development in technology, best practices and trends.

Inter-RLDC Cultural Meet and Handicraft Exhibition was organized in Oct'11 at Kolkata. The team from POSOCO was declared the winner in the POWERGRID Inter Regional Cultural Meet, 2011 held in Nov'11. POSOCO Teams participated in various sports events organised by POWERGRID and were the winners of POWERGRID Inter Regional Carom tournament. Other employee engagement Activities like Outbound visits with employees and families, quiz contests and celebration of National Festivals have been regularly organized by the RLDCs and NLDC

POSOCO was represented in GRIDTECH, 2011 held at New Delhi in April'11 to showcase its functions, activities and advancements in Power System Operation Technology in India. POSOCO also participated in 5th Renewable Energy India Expo held at New Delhi in August'11 and the 3rd International Wind Conference organized at Coimbatore in February'12 and bagged the award for best pavilion for REC Mechanism.

Rajbhasha Related Activities

Rajbhasha Activities were organized at POSOCO to motivate employees and promote Rajbhasha. Your Company is committed to implementation of Govt. of India's Rajbhasha policy. In a maiden and novel effort, the all India Power System Network Map at NLDC which displays real time data, was made bi-Lingual and names of cities, substations, generating stations, states etc. are now displayed

in Hindi in the SCADA Map at NLDC Control Room. Several activities such as 'Kavi Sammelan', workshops and conferences etc were organized. Hindi Pakhwara was celebrated in all the RLDCs and NLDC wherein series of Inspirational Talks, seminars, symposia and competition for employees were organized. Six employees from ERLDC qualified the Praveen exam.

Employee Welfare

Part time medical consultants have been appointed across POSOCO for the benefit of all employees. Shrishti Mahila Samiti at SRLDC, Bangalore made Donations to Old Age Home on the occasion of Republic Day and donated Public Address System to *Deena Seva Sangha*.

Corporate Social Responsibility

Your Company has proposed an allocation of three percent (3%) based on the Profit After Tax (PAT) for the F.Y. 2011-12 and the same shall be adjusted from LDC Development Fund subject to approval of CERC. The implementation of CSR being made by your Company for the first time, an approach paper on CSR has been prepared. The CSR and Sustainable Development are mandatory activities as per the DPE guidelines and form part of the MoU of POSOCO for the year 2012-13.

Sustainable Development

Being the subsidiary of POWERGRID, ESPP of POWERGRID is followed for implementation of SD activities. The SD Projects / activities for the FY 2012-13 include Energy Audit of NLDC/RLDCs for Energy Conservation, Voluntary Procurement of Renewable Energy Certificates, training of employees on aspects of SD, Biodiversity Conservation – Afforestation – Plantation and Energy Management – Solar Lighting System. An allocation of 0.5% of Profit After Tax of the F.Y. 2011-12 has been proposed for financial year 2012-13 in terms of the MoU with POWERGRID and the same shall be adjusted from LDC Development Fund subject to approval of CERC.

Research & Development

Being the subsidiary of POWERGRID, the R&D Policy of POWERGRID shall be followed for implementation of R&D activities. An amount of 0.5% of Profit after Tax of the Financial Year 2011-12 has been allocated for implementation of R&D activities of POSOCO. The expenses incurred on this account shall be met from LDC Development Fund in accordance with the Regulation 9 (3) of RLDC Fee and Charges Regulations of CERC.

Management Discussion and Analysis

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

Particulars of employees – Sec 217(2A)

Being a wholly owned subsidiary of POWERGRID, the manpower has been provided by POWERGRID on secondment basis. Policies, all other benefits/welfare schemes applicable to the employees posted in POSOCO, shall continue to be the same as that of the parent organisation i.e. POWERGRID. The disclosure under Section 217(2A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is enclosed at **Annexure-II**.

Conservation of energy, technology absorption and foreign exchange earning & outgo

Particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are enclosed at **Annexure-III**.

Auditor's report and CAG's Comments

The Statutory Auditors' Report to the shareholders does not contain any qualifications.

The Office of Principal Director of Commercial Audit and Ex-officio Member, Audit Board-III, CAG vide letter dated 12th June, 2012 communicated that they have no comments to make under Section 619(4) of the Companies Act, 1956. Comments of the Comptroller & Auditor General of India are enclosed at **Annex-IV**.

Corporate Governance

A Report on the Corporate Governance (**Annexure V**) forming part of this report, together with the Certificate thereon is given at **Annexure VI** to this Report.

Directors' Responsibility Statement

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

- i) In the preparation of the annual accounts for the year ended 31st March, 2012, the applicable accounting standards have been followed;
- ii) 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;
- iii) 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) The Directors have prepared the annual accounts on a going concern basis.

Auditors

M/s B.C. Jain & Co., Chartered Accountants, Kanpur, were appointed by C&AG as Statutory Auditors of the Company for the F.Y. 2011-2012.

POSOCO's Board

During the year, Shri R.N. Nayak, CMD, POWERGRID took over as Chairman, POSOCO w.e.f. 01.09.2011. Shri S. K. Chaturvedi, demitted the office of CMD POWERGRID and resigned from the Directorship of POSOCO w.e.f. 31.08.2011. Shri J. Sridharan, superannuated from POWERGRID as Director (Finance) and resigned from the Directorship of POSOCO w.e.f. 30.04.2011. Shri F.A. Vandrevalla, independent Director, POWERGRID, resigned w.e.f. 10.07.2011 (F/N) upon the completion of his tenure in POWERGRID.

Shri R.T. Agarwal, who was appointed as an additional Director on the Board of POSOCO w.e.f. 16.05.2011, was appointed as a Director in terms of Section 257 of the Companies Act at the AGM held on 24.08.2011. Shri I.S. Jha, Director (Projects), POWERGRID was appointed as additional Director on the Board of POSOCO w.e.f. 01.09.2011. Shri Santosh Saraf, independent Director, POWERGRID was appointed as an additional Director on the Board of POSOCO w.e.f. 26.03.2012.


In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 read with Article 40d(ii) of the Articles of Association of the Company, Shri R.N. Nayak, Chairman, shall retire by rotation at the Annual General Meeting of your Company and being eligible, offers himself for re-appointment.

At present, Shri R.N. Nayak, Shri R.T. Agarwal, Shri I.S. Jha and Shri Santosh Saraf are on the Board of the Company.

Acknowledgement

The Board extends its sincere thanks to Ministry of Power, DPE, CEA, CERC, Regional Power Committees and other stakeholders for extending their valuable support in operating the power system of the country, discharging the other functions assigned to POSOCO and above all, POWERGRID for their patronage and directions.

For and on behalf of
POWER SYSTEM OPERATION CORPORATION LIMITED


(R.N. Nayak)
Chairman

Date : 27.07.2012
Place: New Delhi

Management Discussion and Analysis

Indian Power Sector is growing at a fast pace and the business environment is changing rapidly under Regulatory oversight. The complexity of the national power system is expected to increase with more interconnections, bulk power transfer corridors, international interconnections, higher transmission voltages, new technologies in generation and transmission, increasing presence of renewable energy sources, large size generation projects, system protection schemes and Smart Grid technologies. Further, the increase in competition among participants and evolving market mechanisms are likely to increase the pressure on system operators. The challenge would be to adapt to the changing paradigm and to facilitate the functioning of the electricity market without compromising grid security and reliability.

The Electricity Act, 2003 empowers the Appropriate Commissions to specify by Regulations, the provisions for Open Access and promote the development of a market (including trading) in power. Accordingly regulations on Grant of Connectivity, Long Term Access and Medium Term Open Access, Short Term Open Access and Power Market have been notified by Central Electricity Regulatory Commission. The above initiatives have paved the way for functioning of a vibrant short – term Electricity market in the country. Surplus capacity available on the Inter-State Transmission System is available in short-term market- either through Bilateral Transactions or Collective Transactions for optimized utilization of Transmission Infrastructure. RLDCs have been designated as the nodal agency for Short Term Bilateral Transactions and NLDC for Short Term Collective Transactions.

POSOCO is committed to neutral, impartial system operation and market operation aimed at delivering value to the stakeholders by creating robust institutional systems, leveraging technologies and deploying knowledge management.

Standard Operating Procedures

The real time operation of regional/national grid is one of the main responsibilities of the RLDCs and NLDC. In line with the IEGC, NLDC and the RLDCs have developed Operating Procedures and Restoration Procedures for National and Regional Grid. These documents set out the procedures to be adopted for the integrated system operation and role of each agency and their responsibilities in grid operation. It aims at operation and development of national power system in the most efficient, economic, secure and reliable manner.

Detailed plans and procedures for restoration of the regional grids under / after partial/total blackout are being developed by RLDCs in consultation with all Users, STU, SLDC, CTU and RPC and are reviewed / updated annually.

Facilitating Market Operations

Market operation is an important function performed by the RLDCs and NLDC. RLDCs are responsible for facilitating the short term open access transaction on bilateral basis and collective transaction through Power Exchange is facilitated by NLDC. The disbursement of short term open access charges and refunds due to curtailment of short term open access transactions to the concerned entities was done by the RLDCs and NLDC within the time frame in accordance with the relevant regulations. The RLDCs operate the Regulatory Pool Account for settlement of UI Charges & VAR charges. These accounts are also settled by the RLDCs as per the periodicity provided in the relevant regulations. Reconciliation Statement for all the above accounts was also issued at regular intervals.

NLDC provides market operation data to the Market Monitoring Cell (MMC) of CERC on monthly basis.

Web Based Information Dissemination

Information dissemination is an integral part of System Operation function. POSOCO has been disseminating information through websites of RLDCs/NLDC towards declaration of transfer capability, Congestion Monitoring, schedules of regional entities, weekly loss declaration, Open Access details, status of UI Pool Account, power Supply position reports, dissemination of urgent market information, etc. The pool of information available at the respective RLDCs/NLDC websites keeps the stakeholders updated about the status of Power System in the Country.

Supervisory Control and Data Acquisition (SCADA)

SCADA systems in the RLDCs and NLDC are installed under unified system and play a vital role for operation of the power system at regional and national level. The availability of the system was ensured for more than 95% of the time. Availability of real time data to the system operator is prerequisite for reliable and secure system operation. The ability of the system operators to take decisions in real time is dependent on their situational awareness derived from the real time data.

Synchronisation of Southern Grid with NEW Grid

Currently, the southern grid of the Country is connected with the NEW grid through HVDC links. SR Grid would be synchronized with the NEW Grid after commissioning of 765 kV Raichur- Solapur line in 2013-14. This would result in merging of markets. Before the final synchronization in F.Y. 2013-14, a number of exercises and trial operations would be undertaken. The entire exercise of trial operations will require meticulous planning and analysis. Considering the enormity and complexities of the process a specialized sub-committee has been constituted comprising of the system experts from the NLDC and RLDCs. Objective of the committee is to identify strategies, conduct studies and list technical pre-requisites for synchronization.

Financial Discussion and Analysis

Comparison of Fiscal 2012 to Fiscal 2011

The figures of the current year are not comparable with previous period figures since figures of previous period was for six months only i.e. 01.10.2010 to 31.03.2011.

Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the Financial Statements for the year ended 31st March, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous period figures have also been reclassified to confirm to this year classification. The adoption of revised Schedule VI for the previous period figures does not impact recognition and measurement principles followed for preparation of Financial Statements.

System operation and Market operation charges comprising RLDC fees and charges are recognised on the basis of tariff approved by CERC and further adjustment made for truing up. Human Resource and Operation and Maintenance expenses component of tariff are restricted to the actual expenditure. Charges towards projected capital expenditure are restricted to charges based on actual capital expenditure. Any excess in collection of System Operation and Market Operation charges over the revenue recognised is transferred to the liability to be adjusted on truing up exercise by the CERC after the expiry of the control period.

Revenue from Operations

The revenue earned from System Operation and Market Operation and Supervision Fees for the year 2011-12 was ₹161.59 crore as against ₹ 88.97 crore in the FY 2010-11 which was for six month period. Revenue for the year has decreased proportionately as compared to revenue for six month period of 2010-11 since depreciation component of tariff of majority of assets have been recovered to the extent of 90%.

Depreciation

The depreciation has been provided on straight line method at the rates and methodology specified in the norms notified by CERC for the purpose of recovery of RLDC fees and charges except for mobile phones which have been depreciated at 33.33%. Depreciation charged in the FY 2011-12 is ₹ 20.11 crore, whereas in FY 2010-11 it was ₹ 30.92 crore. Depreciation charge has reduced since majority of assets have been depreciated to the extent of 90%.

Net Deferred Tax Assets

During the year, your company has provided ₹6.69 Cr. as net deferred tax assets. Deferred Tax Liability, mainly being the difference between Written Down Value (WDV) of assets as per books and WDV as per income tax and claimable from beneficiaries, of ₹ 15.25 Cr. has materialized during the year. The same has been accounted for as income recoverable from POWERGRID, Holding Company.

LDC Development Fund

In line with CERC (RLDC Fee and Charges) Regulation, 2009, LDC Development Fund of ₹ 94.97 crore is accrued (gross) in LDC Development Fund out of Gross Income for the FY 2011-12. ₹ 94.97 crore includes ROE, IOL, Depreciation and Other Income. The fund has been utilised towards loan/interest repayment of ₹ 41.20 Crore, income tax of ₹ 14.12 Crore (after adjustment of ₹ 15.25 Crore of deferred tax), dividend of ₹ 10.69 Crore (including dividend tax), & CAPEX ₹ 5.02 Crore resulting in net accretion of ₹ 23.95 Crore to LDC Development Fund.

Profit before Tax

Your company's profit before tax in F.Y. 2011-2012 was ₹79.89 crore.

Profit after Tax

Your company's Profit after Tax in F.Y. 2011- 2012 was ₹ 50.52 crore.

Net Cash from Operating Activities

The operating profit before working capital changes is ₹105.05 crore. However, the negative cash from Operating activities of ₹254.87 crore is mainly due to reduction of ₹ 318.01 crore in liabilities in respect of designated accounts of UI/RE/IRE/Congestion – operated and maintained in terms of CERC Regulations.

Net Cash from Investing Activities

There is no major expenditure incurred during the year on replacement / modernization of machinery and equipment. Cash flow of ₹8.26 crore is mainly on account of purchase of furniture and data processing equipment's.

Net Cash from Financing Activities

In F.Y. 2011-2012, your Company has repaid the entire long term borrowing of ₹40.31 crore in relation to the assets taken over and also short term borrowing of ₹ 49.04 crore from the Holding Company. A sum of ₹ 8.16 crore has been utilized for payment of dividend and dividend tax.

Selected Balance Sheet Items

Fixed Assets:

Yours Company's Net fixed assets as on 31st March, 2012 were ₹ 39.24 Crore as against ₹ 51.14 crore as on 31st March 2011. The fixed assets consist mainly of SCADA Hardware and Software.

Loans and Advances

Your Company's total loans and advances (short term and long term) as on 31st March, 2012 were ₹ 109.51 Crore against ₹ 46.50 in the FY 2010-11. The increase is mainly on account of payment of advance tax and TDS for the year.

Other Current Assets

Our other current assets as on 31st March, 2012 were ₹ 13.98 Crore against ₹ 11.90 crore as on 31st March 2011 which mainly includes accrued interest on flexi deposits with banks.

Sundry Debtors

Sundry Debtors as on 31st March 2012 reduced to ₹ 21.72 Crore against ₹ 90.02 crore as on 31st March 2011. The reduction is mainly on account of realization of dues on tariff notification by CERC.

Unsecured loan

Our company's unsecured loans and advances (considered good) were ₹ 5.57 crore against ₹ 18.99 crore as on 31st March 2011.

Other Current liabilities

Your company's other current liabilities as on 31st March, 2012 were ₹ 622.43 Crore as against ₹ 951.43 crore as on 31st March 2011. The reduction is mainly on account of decrease in liabilities in respect of UI/RE/IRE/Congestion accounts which are operated and maintained in terms of CERC Regulations.

Other Long term liabilities

The other long term liabilities during the FY 2011-12 were ₹ 23.57 crore comprising of ₹ 19.81 crore liability on account of truing up.

Contingent liability

The contingent liability of ₹ 3.02 Crore is towards the demand of Rent for the office and staff quarters accommodation raised by the WRPC, Mumbai for the period up to F.Y. 2011-12 which is disputed by the Company and the Company has sought for the transfer of the ownership of office accommodation and residential quarters before the Ministry of Power, Govt. of India. However, no decision has come so far.

Internal Control

Internal control mechanism is in place in POSOCO to verify the Accounting and Financial Management System, adequacy of controls, material checks, financial propriety aspects and compliance implementation mechanism. Internal Audit and Physical Verification Audit for the Financial Year 2011-12 had been carried out by experienced firms of Chartered Accountants. One independent Director on the Board of POWERGRID has been nominated on the Audit Committee the Company in terms of the Company's Articles of Association.

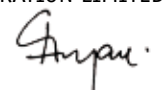
Risk Management Procedure

The Enterprise Risk Management Policy & Procedures of POWERGRID is being followed by POSOCO.

Cautionary Statement

Statements 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
POWER SYSTEM OPERATION CORPORATION LIMITED


(R.N. Nayak)
Chairman

Date :27.07.2012

Place: New Delhi

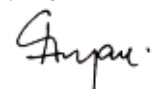
Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 for the year 2011-12

| Sl. No. | Name (Sh./Smt.) | Designation & Nature of duties | Qualification | Remuneration (₹ per month) | Experience (Years) | Date of Commencement of employment (in POWERGRID) | Age (Years) | Last employment held |
|-------------------------------|-----------------|--------------------------------|--|-------------------------------|-----------------------|--|----------------|----------------------|
| Employed for part of the year | | | | | | | | |
| 1 | Arun Talwar | Ch.Mgr.(F&A) | B.Com(H),Depart. Exam,'87 | 8,22,213/- | 31 yrs. | 16-Aug-91 | 60 | NTPC |
| 2 | S.M.Puri | Mgr. | Diploma in Elect. Engg | 5,28,077/- | 38 Yrs. | 1-Jan-96 | 60 | CEA |
| 3 | S.Chakraborty | DGM(Comml.) | B.Com,LLB,MA,CA | 5,83,349/- | 27 Yrs. | 7-Aug-91 | 60 | NTPC |
| 4 | A.K.Biswas | Sr.Operator, Gr.III | Higher Secondary, Dip, in Radio, TV & Audio Technology | 7,61,534/- | 25 Yrs. | 1-Jan-95 | 57 | CEA |
| 5 | H.S.Siddappa | Ch.Mgr. | BE(E&C) | 5,35,608/- | 36 Yrs. | 1-Jan-94 | 60 | CEA |
| 6 | M.G.Raoot | ED | BE (Elect.) | 11,40,509/- | 32 Yrs. | 1-Jan-96 | 60 | CEA |
| 7 | P.R.Lal | Ch.Mgr. | B.Sc(Engg.)-Electrical | 10,65,012/- | 33 Yrs. | 1-Jan-96 | 60 | CEA |

Notes:

- 1) Remuneration includes Salary, Allowances, Leave encashment, Leave travel concession, payment for the 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
POWER SYSTEM OPERATION CORPORATION LIMITED


(R.N. Nayak)
Chairman

Date :27.07.2012

Place: New Delhi

Particulars required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, read with Section 217 (1)(e) of the Companies Act, 1956

A. Conservation of Energy:

POSOCO's facilities are spread over six control centres located at Mumbai, Delhi, Kolkata, Bangalore and Shillong. Electricity consumption is one of the major items of expenditure on Operation and Maintenance (O & M) involving an approximate outgo of ₹2.74 crore per annum. This would go up with the rise in the electricity prices. Conservation of energy is therefore an imperative for POSOCO. Most of POSOCO's facilities are housed in old buildings owned by the Govt. of India and changes in the basic structure of the building with a view to minimize the electricity consumption are limited. All RLDC's have gone for an energy audit and are implementing measures towards improving air conditioning efficiency and lighting.

NLDC as Central Agency for Renewable Energy Certificate(s)(RECs) is also looking towards corporate buying RECs as part of their sustainable development efforts. POSOCO has purchased two RECs as a first step in this initiative.

B. Research and Development:

Large Scale Integration of Renewable Generation, improving visualization and Situational Awareness (SA) at RLDCs / NLDC, designing self healing system to take care of high impact low probability incidents continue to be the areas of special interest to POSOCO. POSOCO's team at RLDCs/ NLDC have a continuous process of engagement with bodies like Very Large Power Grid operations(VLPGO), TSO-Comparison Group, CIGRE, IEEE etc. and are a part of different Working Groups(WGs) covering the above area.

Apart from system operation, POSOCO is also working towards having an electricity market in the country which fully compliments reliability and ensures economy and efficiency.


POSOCO looks forward to greater thrust in the above areas of Research and Development(R&D) and is exploring partnerships with academic institutions and research centres in India and abroad.

C. Foreign Exchange earnings and outgo:

(₹ in crore)

| | |
|---|------|
| Foreign Exchange earning | NIL |
| Foreign Exchange outgo | |
| (i) Repair & maintenance of SCADA – EMS system of RLDCs | 9.28 |
| (ii) Foreign travel | 0.06 |

For and on behalf of
POWER SYSTEM OPERATION CORPORATION LIMITED


(R.N. Nayak)
Chairman

Date : 27.07.2012

Place: New Delhi

ANNEXURE IV to the Directors' Report

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF POWER SYSTEM OPERATION CORPORATION LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH 2012

The preparation of financial statements of Power System Operation Corporation Limited, New Delhi for the year ended 31 March 2012 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 28 May 2012.

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 Power System Operation Corporation Limited, New Delhi for the year ended 31 March 2012 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/-

(Praveen Kumar Singh)

Principal Director of Commercial Audit &

Ex-officio Member Audit Board - III,

New Delhi

Place: New Delhi

Dated: 12th June, 2012

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. Power System Operation Corporation of India Ltd. (POSOCO) believes that good governance should entail trusteeship, empowerment and accountability of the management while remaining proactive to the Government policies. POSOCO's Governance process is focused towards its following mission:

"Ensure Integrated Operation of Regional and National Power Systems to facilitate transfer of electric power within and across the regions and trans-national exchange of power with Reliability, Security and Economy."

The Company has also set its Objectives in furtherance of its mission as per its role as defined in the Electricity Act, and set out by the Ministry of Power, CERC, other Regulatory / Statutory Bodies, etc. from time to time.

The Board has also constituted an Audit Committee to have better and more focused attention on financial matters.

Management Discussion and Analysis is placed at Annex -I to Directors' Report.

The Company has complied with the conditions of the Corporate Governance and the disclosure requirements in that regard are given below:

2. Board of Directors:

2.1 Size of the Board

POSOCO, being the wholly owned subsidiary Company of Power Grid Corporation of India Limited (POWERGRID) is a Government Company within the meaning of Section 617 of the Companies Act, 1956. As per Articles of Association, the composition of the Board of Directors shall be as determined by the Hon'ble President / Government of India from time to time.

In terms of Articles of Association of the Company, the strength of our Board shall not be less than three Directors but not more than fifteen Directors. These Directors may be either whole-time Directors or part-time Directors or otherwise.

2.2 Composition of the Board

As on 31st March, 2012, Shri R.N. Nayak, Shri R.T. Agarwal, Shri I.S. Jha and Shri Santosh Saraf were on the Board of the Company. Shri Santosh Saraf is the independent director of the Company.

The equity shares of the Company are not listed.

2.3 Age Limit and Tenure of Directors

The age limit of the Chairman and other Directors from the Board of POWERGRID is 60 years.

The date of appointment of the Directors who are in office as on 31st March, 2012 was as follows:

| Name & Designation | Date of Joining on the Board* |
|------------------------------|-------------------------------|
| Shri R.N. Nayak, Chairman | 29.09.2009 |
| Shri R.T. Agarwal, Director | 16.05.2011 |
| Shri I.S. Jha, Director | 01.09.2011 |
| Shri Santosh Saraf, Director | 26.03.2012 |

*The Directors on the Board of POWERGRID / Officials, who have been appointed as Directors in POSOCO shall cease to be on the Board of POSOCO on completion of their tenure / superannuation / withdrawal of nomination from POWERGRID.

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. CEO, POSOCO is a special invitee to all Board meetings.

During the financial year ended 31st March, 2012, seven Board meetings were held- on 16th May, 26th July, 3rd August, 1st September and 14th October of the year 2011 and 5th January and 26th March of the year 2012. The maximum interval between any two meetings during this period was 80 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 DPE Guidelines) held by them during the year 2011-12 are tabulated below:

| Name of the Director | Meeting held during respective tenure of Directors | No. of Board Meetings attended | Attend- ance at the last AGM (held on 24.08.2011) | No. of Other Director- ship held on 31.03.12 | No. of Other Commit- tee Membership held on 31.03.12* | |
|-------------------------------------|--|--------------------------------|---|---|---|--------|
| | | | | | Chairman | Member |
| Non executive Directors | | | | | | |
| Shri R.N. Nayak ,Chairman | 7 | 7 | Yes | 7 | NIL | NIL |
| Shri S.K. Chaturvedi, Ex- Chairman^ | 3 | 3 | Yes | - | - | - |
| Shri R.T. Agarwal ,Director | 7 | 6 | Yes | 3 | 1 | 3 |
| Shri I.S. Jha, Director | 4 | 4 | N.A.# | 3 | NIL | 2 |
| Shri Santosh Saraf ^^ | 1 | 1 | N.A.^^ | 4 | 3 | NIL |
| Shri F.A. Vandrevala^^^ | 1 | 1 | N.A.^^^ | - | - | - |

*Including committee position of POSOCO

^Shri S.K. Chaturvedi, CMD, POWERGRID demitted office as Chairman, POSOCO pursuant to superannuation from POWERGRID on 31.08.2011.

Shri I.S. Jha joined POSOCO Board as an additional Director w.e.f. 01.09.2011.

^^Shri Santosh Saraf, independent Director was appointed as an Additional Director on the Board of the Company on 26.03.2012.

^^^Shri F.A. Vandrevalla independent Director demitted office as Director of the Company on 10.07.2011 pursuant to the completion of his tenure as independent Director in POWERGRID on 09.07.2011.

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 of the company.
4. Minutes of meetings of Audit Committee
5. Disclosure of Interest by Directors about directorship and committee positions occupied by them in other Companies.
6. Non-compliance of any regulatory or statutory requirements, such as non -payment of dividend, etc.
7. Other materially important information.

3. Committee of the Board of Directors

POSOCO Board had constituted an Audit Committee in its meeting held on 15th March, 2011. The following are its members as on 31.03.2012:

- (i) Shri Santosh Saraf, Director- Member & Chairman
- (ii) Shri R.T. Agarwal, Director - Member
- (iii) Shri I.S. Jha, Director - Member

The powers, role, functions, etc. of the Audit Committee are governed by the Companies Act and Government Guidelines.

Meetings of Audit Committee

The Audit Committee meets at least four times in a year and not more than four months have elapsed between two meetings in that year. The quorum for the Audit Committee meetings is either two members or one third of the members of the Audit Committee whichever is greater.

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 auditor.

Attendance

During the financial year ended 31st March, 2012, 05 meetings of the Audit Committee were held- on 16th May, 26th July, 22nd October and 27th December of the year 2011 and 26th March, 2012 of the year 2012.

Attendance at the Audit Committee Meetings during the Financial Year 2011-12:

| Name of the member | Audit Committee Meetings during the tenure | |
|---------------------------|--|----------|
| | Held | Attended |
| Shri R.N. Nayak* | 05 | 05 |
| Shri S.K. Chaturvedi** | 01 | 01 |
| Shri Santosh Saraf*** | 01 | 01^ |
| Shri R.T. Agarwal | 05 | 05 |
| Shri I.S. Jha | 03 | 03 |
| Shri F.A. Vandrevalla**** | 01 | 01 |

*Shri R.N. Nayak was member and Chairman of the Audit Committee from 22.10.2011 -26.03.2012.

**Shri S.K. Chaturvedi, Chairman POSOCO was co - opted as a member and Chairman in the Audit Committee Meeting held on 26.07.2011.

***Consequent upon the appointment of Shri Santosh Saraf as Director on the Board of the Company on 26.03.2012, the Audit Committee was re - constituted and Shri Santosh Saraf was nominated as the Chairman of the Audit Committee in the Board Meeting held on 26.03.2012.

****Shri F.A. Vandrevalla, independent Director was the Chairman of the Audit Committee Meeting held on 16.05.2011.

^ Meeting attended as Special Invitee

4. Remuneration of Directors

In the Board meeting of the Company held on 26.03.2012, sitting fee of ₹10,000/- had been approved to be paid to the independent Director on the Board of POWERGRID, who had been nominated on the Board of POSOCO. Apart from this, no remuneration is paid to any other Director.

Details of payment made towards sitting fee to the Independent Director on the Board of POWERGRID, who had been nominated on the Board of POSOCO is given below:

| Name of the Director | Sitting Fees | | Total |
|----------------------|---------------|-------------------------|----------|
| | Board Meeting | Audit Committee Meeting | |
| Shri Santosh Saraf | 10,000/- | -^ | 10,000/- |

^ Meeting attended as a Special Invitee.

As on 3.03.2012, the **Directors' Shareholding** was as under:

| Name of Director(s) | No. of Equity Shares Held^ | |
|---------------------|----------------------------|---------------------|
| | As a Nominee of POWERGRID | Individual Capacity |
| Shri R.N. Nayak, | 01 | - |
| Shri R.T. Agarwal | 01 | - |
| Shri I.S. Jha | 01 | - |

^The rest of the shares are held by other nominees as per nominations made by POWERGRID from time to time.

5. General Body Meetings:

POSOCO has been set up as a wholly owned subsidiary of POWERGRID in terms of Govt. Directives dt. 04.07.2008 for system operations. The Company obtained the Certificate of Commencement of Business on 23.03.2010.

Date, time and location of the Annual General Meeting since then is as under:

| Year | Date | Time | Venue | Special Resolution |
|-----------|----------------------|-----------|---|--------------------|
| 2009-2010 | 23rd September, 2010 | 4.30 p.m. | 1st Floor, B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16. | NIL |
| 2010-2011 | 24th August, 2011 | 10.00 a.m | 1st Floor, B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-16. | NIL |

6. Disclosures

- (I) 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 of the Company has certified the financial statements to the Board.
- (III) POSOCO does not have any material non listed Indian Subsidiary Company.
- (IV) There are no material individual transactions with related parties which are not in the normal course of business.
- (V) There are no material individual transactions with related parties or others, which are on an arm's length basis.
- (VI) 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.
- (VII) The Balance Sheet, Profit and Loss Account and Cash Flow Statement for the financial year 2011-12 have been prepared as per the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

7. 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 announcements made by the Company can be accessed at Company's website: [http:// posoco.in](http://posoco.in).

8. Code of Conduct

The Board of Directors of POWERGRID, the holding Company has laid down two separate Code of Business Conduct and Ethics – one for Board Members and another for Senior Management Personnel. The Code of Conduct applicable to POWERGRID is being followed.

9. Shareholders' Information

i) Annual General Meeting

Date : 7th September, 2012
Time : 11.30 a.m.
Venue : B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi – 110 016.

ii) Financial Year

The Company's Financial Year is from 1st April to 31st March.

iii) Payment of dividend

The Board of Directors of the Company has recommended payment of a final Dividend of 15% (₹ 1.5 per share) for the financial year ended 31st March, 2012. In addition, an Interim Dividend of 15% (₹ 1.5 per share) was paid on 30th March, 2012. (Dividend paid in the Previous Year was ₹ 1 per share)

iv) **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.

v) **Dividend History**

(₹ in Crore)

| Year | Total Paid-up Capital | Total Amount of Dividend Paid for the Financial Year | Date of AGM in which dividend was declared | Date of Payment of Final Dividend |
|---------|-----------------------|--|--|-----------------------------------|
| 2010-11 | 30.64 | 3.06 | 24.08.2011 | 13.09.2011 |
| 2011-12 | 30.64 | 4.60* | 26.03.2012** | 30.03.2012# |

* Amount of interim Dividend

** Date of Board Meeting

Date of Payment of Interim Dividend

vi) **Location of POSOCO Plants**

POSOCO has no plants.

vii) **Shareholding Pattern**

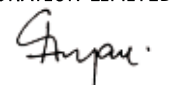
The entire shares of the Company are owned by Power Grid Corporation of India Limited.

viii) **Address for correspondence:**

Power System Operation Corporation Limited,
1st Floor, B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi – 110 016.

| | Telephone No. | Fax No. |
|--|------------------------|------------------------|
| Registered Office | 011-26536832, 26524522 | 011-26524525, 26536901 |
| website | www.nldc.in | |
| Company Secretary Ms. Priti Chaturvedi | 011-26561309 | 011 -26524525 |
| Email ID | priti@posoco.in | |

For and on behalf of
POWER SYSTEM OPERATION CORPORATION LIMITED


(R.N. Nayak)
Chairman

Date : 27.07.2012

Place: New Delhi

Annexure-I

Non-Mandatory Requirements

- The Board:** The Company is headed by a non-executive Chairman. No person has been appointed as independent director who has been a Director, in the aggregate, exceeding a period of nine years on the Board of POSOCO.
- Audit qualifications:** The financial statement for the year 2011-12 has no audit qualifications.
- Training of Board Members:** A presentation on the following matters was given to the Directors:
 - Presentation on POSOCO as a whole was provided to the Directors so as to give them an insight into the functioning of the Company.
 - Presentation on activities assigned to POSOCO by MoP and CERC through new Regulations.
 - Presentation on half yearly / annual review of POSOCO.

Certificate on Corporate Governance

To
The Members,
Power System Operation Corporation Limited.

I have examined the compliance of conditions of corporate governance by Power System Operation Corporation Limited, for the year ended on 31st March, 2012, as stipulated in the DPE Guidelines.

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 the Company has complied with the conditions of Corporate Governance except that it has an independent director who constitute one fourth of the total number of directors as against the requirement of one third the total number of directors, and that the Audit Committee has only one independent director as against the requirement of two, in implementation of the Guidelines on Corporate Governance for CPSEs issued by the Department of Public Enterprises.

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


(T.V. NARAYNASWAMY)
COMPANY SECRETARY

Date : 24.07.2012
Place: New Delhi

ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared on accrual basis of accounting under historical cost convention and in accordance with generally accepted accounting principles in India and the relevant provisions of the Companies Act, 1956 including Accounting Standards notified there under.

1.2 USE OF ESTIMATES

The preparation of the financial statements requires estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses during the reporting period. Although such estimates and assumptions are made on reasonable and prudent basis taking into account all available information, actual results could differ from these estimates and assumptions and such differences are recognized in the period in which the results are crystallized.

1.3 RESERVES AND SURPLUS

LDC Development fund is created in terms of Central Electricity Regulatory Commission (fees and charges of the Regional Load Despatch Centre and other related matters) Regulations 2009. In terms of clause 9(2) of the regulations, the charges on account of return on equity, interest on loan, depreciation and other income of the Regional Load Despatch Centres and NLDC such as registration fee, application fee, short term open access charges etc. shall be deposited to the LDC development fund. The funds shall be utilised for loan repayment, servicing the capital raised in the form of interest and dividend payment, meeting stipulated equity portion in asset creation and margin money for raising loan from financial institutions and funding R&D Projects. Any asset created out of the money deposited to the LDC development fund shall not be considered for computation of the return on equity and interest on loan.

1.4 GRANTS-IN-AID

1.4.1 Grants in aid received from Central Govt or other authorities towards capital expenditure for projects, betterment of system operation and specific depreciable assets are shown as "Grants-in-aid" till the utilisation of grant.

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

1.5 FIXED ASSETS

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

1.6 CAPITAL WORK IN PROGRESS

1.6.1 Cost of material consumed, erection charges thereon along with other related expenses incurred for the projects are shown as CWIP till capitalisation.

1.6.2 Interest during construction is apportioned to Capital Work In Progress (CWIP) on the closing balance of Specific asset or part of asset being capitalized. Balance, if any, left after such capitalization is kept as a separate item under the CWIP.

1.7 INTANGIBLE ASSETS

The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognized as intangible assets in the books of accounts when the same is ready for its use.

1.8 CONSTRUCTION STORES

Construction stores are valued at cost.

1.9 BORROWING COST

1.9.1 All the borrowed funds (except short term funds for working capital) are earmarked to specific projects. The borrowing costs (including interest, and guarantee fee etc.) are allocated to the projects in proportion to the funds so earmarked.

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

1.10 TRANSACTION IN FOREIGN CURRENCY

1.10.1 Transactions in foreign currencies are 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 on the date of the balance sheet.

- 1.10.2 FERV 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 transactions contracted on or after 1st April, 2004 the same is charged to Profit & Loss account irrespective of whether the project is under construction or operation.

- 1.10.3 Other exchange differences are recognized as income or expenses in the period in which they arise.

1.11 REVENUE RECOGNITION

- 1.11.1 System operation and Market operation charges comprising RLDC fees and charges are recognised on the basis of tariff approved by Central Electricity Regulatory Commission(CERC). Human Resource and Operation and Maintenance expenses component of tariff are restricted to the actual expenditure. Charges towards projected capital expenditure are restricted to charges based on actual capital expenditure.

Any excess in collection of System Operation and Market Operation charges over the revenue recognised is transferred to the liability to be adjusted on truing up exercise by the CERC after the expiry of the control period.

- 1.11.2 Income from Short Term Open Access (STOA) is accounted for on the basis of regulations notified by CERC. Income on account of operating charges, scheduling and system operation charges from Short Term Open Access (STOA) in terms of the Central Electricity Regulatory Commission (Open Access in Inter State transmission), Regulations is accounted for as and when the bilateral /collective transactions takes place.

- 1.11.3 Non refundable application money from the Short Term Open Access (STOA) is accounted as income on receipt of application along with the fees.

- 1.11.4 Transmission charges collected for the disbursement to STUs/CTUs/SEBs from the Short Term Open Access (STOA) are passed on to the respective STUs/CTUs/SEBs . The unpaid amount as at balance sheet date is depicted as liability.

- 1.11.5 Supervision Charges

Overhead charges on account of supervision of SCADA Annual Maintenance Charges are accounted on accrual basis.

- 1.11.6 Registration fees

One time registration fees of new users and power exchanges is accounted for on accrual basis.

- 1.11.7 Liquidated damages/warranty claims and interest on advances to suppliers are accounted for on certainty.

- 1.11.8 Bank Interest earned on the fixed deposits lying in unscheduled Interchange Pool Account Fund, Congestion Charge Account, Reactive Energy Charges Account and Inter regional exchange account are credited directly to respective Fund accounts.

- 1.11.9 Surcharge is being accounted for when no significant uncertainty as to measurability and collectability exists.

1.12 DEPRECIATION

- 1.12.1 The depreciation has been provided on straight line method at the rates and methodology specified in the norms notified by CERC for the purpose of recovery of RLDC fees and charges. With effect from 01/04/2009 (effective date of CERC Regulations, 2009), useful life has been considered/worked out prospectively based on the unamortized balance of such asset on the basis of the rate of depreciation specified by the CERC except for mobile phones which have been depreciated at 33.33%.

- 1.12.2 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.

- 1.12.3 Assets costing ₹ 5,000/- or less or where the written down value is less than ₹ 5,000/ or less at the beginning of the year, are charged to revenue.

1.13 EXPENDITURE

- 1.13.1 Pre-paid /prior period items up to ₹ 1,00,000/ are accounted to natural heads of accounts.

- 1.13.2. Expenditure of research and development, other than Capital Expenditure, are charged to revenue in the year of incurrence.

1.14 IMPAIRMENT OF ASSETS

Cash generating units as defined in AS-28 on "Impairment of Assets" are defined 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.

1.15 EMPLOYEE BENEFITS

- 1.15.1 The liability for retirement benefits of employees in respect of gratuity, which is ascertained annually on actuarial valuation at the year end, is provided and funded separately.
- 1.15.2 The liability for compensated absence (both for earned & half pay leave), leave encashment, post retirement medical benefits & settling allowance to employees are ascertained annually on actuarial valuation at the year end and provided for.
- 1.15.3 Actuarial gains/losses are recognized immediately in this Statement of Profit & Loss.

1.16 PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognised 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 recognised for liabilities whose future outcome cannot be ascertained with reasonable estimate. Such contingent liabilities are not recognised but are disclosed in the schedule of contingent liability on the basis of judgement of the management/ independent expert. These are reviewed at each balance sheet date and adjusted to reflect the current management estimate.

1.17 INCOME TAX

Income tax comprises of current and deferred taxes. Current income taxes are measured at the amount expected to be paid to the income tax authorities in accordance with Income Tax Act, 1961. Deferred tax resulting from timing difference between accounting and taxable profit is accounted for using the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Balance Sheet as at 31st March 2012

| Description | Note No. | (₹ in Crore) | |
|-----------------------------------|----------|------------------------|------------------------|
| | | As at 31st March, 2012 | As at 31st March, 2011 |
| I. EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| (a) Share capital | 2.1 | 30.64 | 30.64 |
| (b) Reserves and surplus | 2.2 | 86.12 | 46.29 |
| | | 116.76 | 76.93 |
| Non-current liabilities | | | |
| (a) Long-term borrowings | 2.3 | - | 40.31 |
| (b) Deferred Revenue | 2.4 | 1.27 | 2.00 |
| (c) Other Long term liabilities | 2.5 | 23.57 | 18.14 |
| (d) Long-term provisions | 2.6 | 26.95 | 23.70 |
| | | 51.79 | 84.15 |
| Current liabilities | | | |
| (a) Short-term borrowings | 2.7 | - | 49.04 |
| (b) Trade payables | 2.8 | 2.13 | 1.55 |
| (c) Other current liabilities | 2.9 | 622.43 | 951.43 |
| (d) Short-term provisions | 2.10 | 76.01 | 35.13 |
| | | 700.57 | 1037.15 |
| Total | | 869.12 | 1198.23 |
| II. ASSETS | | | |
| Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 2.11 | 37.71 | 50.96 |
| (ii) Intangible assets | 2.12 | 1.53 | 0.18 |
| (iii) Capital work in progress | 2.13 | 2.83 | 0.69 |
| (iv) Construction stores | 2.14 | 0.06 | 0.06 |
| | | 42.13 | 51.89 |
| (b) Deferred tax Assets (Net) | 2.15 | 6.69 | 3.35 |
| (c) Long-term loans and advances | 2.16 | 11.74 | 24.78 |
| Current assets | | | |
| (a) Trade receivables | 2.17 | 21.72 | 90.02 |
| (b) Cash and Bank Balances | 2.18 | 675.09 | 994.57 |
| (c) Short-term loans and advances | 2.19 | 97.77 | 21.72 |
| (d) Other current assets | 2.20 | 13.98 | 11.90 |
| | | 808.56 | 1118.21 |
| Total | | 869.12 | 1198.23 |
| Accounting Policies | 1 | | |
| Notes on Accounts | 2 | | |

Notes referred above are integral part of the Balance Sheet

For and on behalf of the Board of Directors

(Priti Chaturvedi)
Company Secretary

(S. K. Soonee)
Chief Executive Officer

(R. T. Agarwal)
Director

(R. N. Nayak)
Chairman

As per our report of even date
For B. C. Jain & Co.
Firm Regn. No. 01099 (C)

(Ranjeet Singh)
Partner
M.No. 73488

Place :Gurgaon
Date : 28th May 2012

Statement of Profit and Loss for the year ended 31st March, 2012

| Description | Note No. | (₹ in Crore) | |
|--|----------|-------------------------------------|-------------------------------------|
| | | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| I. Revenue from operations | 2.21 | 161.59 | 88.97 |
| II. Other income | 2.22 | 52.75 | 26.74 |
| III. Total Revenue (I + II) | | 214.34 | 115.71 |
| IV. Expenses: | | | |
| Employee benefits expense | 2.23 | 74.22 | 36.55 |
| Finance costs | 2.24 | 5.74 | 1.23 |
| Depreciation and amortization expense | 2.25 | 20.11 | 30.92 |
| Operation , Maintenance and Other Administrative Expenses | 2.26 | 40.14 | 20.60 |
| Total expenses | | 140.21 | 89.30 |
| V. Profit before Prior period Adjustment and tax (III - IV) | | 74.13 | 26.41 |
| VI. Prior period items | 2.27 | (5.76) | - |
| VII. Profit before tax (V - VI) | | 79.89 | 26.41 |
| VIII. Tax expense: | | | |
| (1) Current tax | | 32.71 | 18.55 |
| (2) Deferred tax | | (3.34) | (3.35) |
| | | 29.37 | 15.20 |
| IX. Profit after tax (VII - VIII) | | 50.52 | 11.21 |
| X. Earnings per equity share: | 2.44 | | |
| (1) Basic | | 16.49 | 7.33 |
| (2) Diluted | | 16.49 | 7.33 |
| Accounting Policies | 1 | | |
| Notes on Accounts | 2 | | |

Notes referred above are integral part of the Statement of Profit and Loss

For and on behalf of the Board of Directors

(Priti Chaturvedi)
Company Secretary

(S. K. Soonee)
Chief Executive Officer

(R. T. Agarwal)
Director

(R. N. Nayak)
Chairman

As per our report of even date
For B. C. Jain & Co.
Firm Regn. No. 01099 (C)

(Ranjeet Singh)
Partner
M.No. 73488

Place :Gurgaon
Date : 28th May 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

(₹ in crore)

| Particulars | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
|--|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax | 79.89 | 26.41 |
| Adjustment for : | | |
| Depreciation | 20.11 | 30.92 |
| Transfer from Grants in Aid | (0.73) | (3.06) |
| Net Loss on Disposal / Write off of Fixed Assets | 0.05 | 0.01 |
| Interest and Finance Charges | 5.74 | 1.23 |
| Provisions write back | (0.01) | - |
| Un-realised FERV gain | - | (0.01) |
| FERV written off | - | 0.09 |
| Operating profit before Working Capital Changes | 105.05 | 55.59 |
| Adjustment for : | | |
| Increase/(Decrease) in Trade payables and other liabilities | (363.13) | (1,055.94) |
| (Increase)/Decrease in Other current assets | (2.08) | 29.09 |
| (Increase)/Decrease in Loans and Advances | 4.04 | 90.16 |
| (Increase)/Decrease in Trade and other receivables | 68.30 | (90.02) |
| | (292.87) | (1,026.71) |
| Contribution received for LDC Development Fund | - | 14.19 |
| Direct taxes paid | (67.05) | (19.00) |
| Net Cash from operating activities | (254.87) | (975.93) |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| (Increase)/Decrease in Tangible and Intangible Assets | (8.26) | (6.26) |
| (Increase)/Decrease in Work in Progress | (2.14) | - |
| Net cash used in investing activities | (10.40) | (6.26) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Loans raised/ (repaid) during the year | (40.31) | 49.04 |
| Dividend paid | (7.66) | - |
| Dividend tax paid | (0.50) | - |
| Interest and Finance Charges Paid | (5.74) | (1.32) |
| Net Cash from Financing Activities | (54.21) | 47.72 |
| D. Net change in Cash and Cash equivalents (A+B+C) | (319.48) | (934.47) |
| E. Cash and Cash equivalents(Opening balance) | 994.57 | 0.05 |
| F. Cash and Cash equivalents taken over from the Holding Company | | 1,928.99 |
| G. Cash and Cash equivalents(Closing balance) (D+E+F) | 675.09 | 994.57 |

Note:

1. Cash and cash equivalents consists of Cash in hand and balances with banks. Cash and cash equivalents included in the Cash Flow Statement comprise of following Balance Sheet amounts as per Note 2.18.

| | | |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | 258.50 | 266.58 |
| Other Bank balances (*) | 416.59 | 727.99 |
| | 675.09 | 994.57 |

(*) Amounts available for specific use only

In designated current accounts / flexi deposit accounts operated and maintained in terms of CERC regulations (refer para 4 of Notes on accounts)

2. Previous year figures have been re-grouped/re-arranged wherever necessary.

For and on behalf of the Board of Directors

(Priti Chaturvedi)
Company Secretary

(S. K. Soonee)
Chief Executive Officer

(R. T. Agarwal)
Director

(R. N. Nayak)
Chairman

As per our report of even date
For B. C. Jain & Co.
Firm Regn. No. 01099 (C)

(Ranjeet Singh)
Partner
M.No. 73488

Place :Gurgaon
Date : 28th May 2012

Note 2.1 Share capital

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| Equity Share Capital | | |
| Authorised Capital | | |
| 20,00,00,000 (Previous Year 20,00,00,000) equity shares of ₹ 10/- each | 200.00 | 200.00 |
| Issued Subscribed and paid up | | |
| 3,06,40,000 (Previous Year 3,06,40,000) equity shares of ₹ 10/-each fully paid up | 30.64 | 30.64 |
| Total | 30.64 | 30.64 |

Further Notes:

1) Reconciliation of Number and amount of share capital outstanding at the beginning and at the end of the reporting period.

| Particulars | As at 31 March, 2012 | | As at 31 March, 2011 | |
|---|----------------------|------------------------|----------------------|------------------------|
| | No. of Shares | Amount (₹ in crore) | No. of Shares | Amount (₹ in crore) |
| Shares outstanding at the beginning of the year | 30,640,000 | 30.64 | 50,000 | 0.05 |
| Shares Issued during the year | NIL | NIL | 30,590,000 | 30.59 |
| Share bought back during the year | NIL | NIL | NIL | NIL |
| Shares outstanding at the end of the year | 30,640,000 | 30.64 | 30,640,000 | 30.64 |

2) The holders of equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

3) 3,06,40,000 (Previous Year 3,06,40,000) equity shares are held by Powergrid Corporation of India Limited - Holding Company and its nominees.

4) Out of above 3,05,90,000 (Previous Year 3,05,90,000) equity shares of ₹ 10 /- each have been allocated as fully paid shares, in pursuant to agreement to sell assets without consideration being received in cash.

Note 2.2/Reserves and surplus

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| General Reserve | | |
| As per last Balance Sheet | - | - |
| Additions during the year | 5.20 | - |
| Deductions during the year | - | - |
| Closing Balance | 5.20 | - |
| LDC Development Fund | | |
| As per Last Balance Sheet | 46.29 | - |
| Additions during the year | 23.95 | 46.29 |
| Deductions during the year | - | - |
| Closing Balance | 70.24 | 46.29 |
| Surplus (Balance in Profit and Loss Account) | | |
| As per last Balance Sheet | | (1.28) |
| Add: Additions | - | |
| Profit after tax as per Statement of Profit and Loss | 50.52 | 11.21 |
| Less: Appropriations | | |
| LDC Development Reserve | 23.95 | 6.37 |

| Description | (₹ in Crore) | |
|-------------------------|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| General Reserve | 5.20 | - |
| Interim dividend paid | 4.60 | - |
| Dividend tax | 0.74 | - |
| Proposed Final Dividend | 4.60 | 3.06 |
| Dividend tax | 0.75 | 0.50 |
| Closing Balance | 10.68 | - |
| TOTAL | 86.12 | 46.29 |

Note 2.3/Long-term borrowings

| Description | (Figures in ₹ Crores) | |
|---|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| Unsecured Loan from Power Grid Corporation of India Ltd. - Holding Company on account of take over liability in relation to the assets transferred. | - | 40.31 |
| TOTAL | - | 40.31 |

Note 2.4/Deferred Revenue

| Description | (Figures in ₹ Crores) | |
|---------------|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| Grants in aid | 1.27 | 2.00 |
| TOTAL | 1.27 | 2.00 |

Note 2.5/Other Long term liabilities

| Description | (Figures in ₹ Crores) | |
|---|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| i) Deposits Retention money from contractors and others. | 2.44 | 8.09 |
| ii) Liability on account of Truing up (refer Note No.2.38 of Other Notes on Accounts) | 19.81 | 6.51 |
| iii) Dues for Capital Expenditure | 0.76 | 0.96 |
| iv) Others | 0.56 | 2.58 |
| Total | 23.57 | 18.14 |

Note 2.6/Long-term provisions

| Description | (Figures in ₹ Crores) | |
|---------------------------------------|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| Employee Benifits | | |
| As per last Balance Sheet | 23.70 | - |
| Additions during the year | 3.25 | 23.70 |
| Amounts utilised/paid during the year | - | - |
| TOTAL | 26.95 | 23.70 |

Note 2.7/ Short-term borrowings

| Description | (Figures in ₹ Crores) | |
|---|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| (Unsecured) | | |
| Other Unsecured Loan from Power Grid Corporation of India-Holding Co. | - | 49.04 |
| TOTAL | - | 49.04 |

Note 2.8/Trade payables

| Description | (Figures in ₹ Crores) | |
|------------------------|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| For goods and services | 2.13 | 1.55 |
| Total | 2.13 | 1.55 |

Further Notes:

Based on information available the company, there are no suppliers/service providers who are registered as micro, small for medium enterprises under "The Micro, Small and Medium Enterprises Development Act, 2006" as on 31st March, 2012 and as on 31st March, 2011.

Note 2.9/Other current liabilities

| Description | (Figures in ₹ Crores) | |
|--|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| i) Dues for Capital Expenditure | 0.68 | 0.88 |
| ii) Employee related liability | 0.12 | 0.01 |
| iii) Advances from Customers | 189.48 | 200.67 |
| iv) Others | 5.51 | 5.22 |
| (Liabilities in respect of Designated accounts operated and maintained in terms of CERC Regulations (Refer Note no.2.31 of Other Notes on Accounts)) | 426.64 | 744.65 |
| | 621.63 | 950.54 |
| Total | 622.43 | 951.43 |

Note 2.10/Short-term provisions

| Description | (Figures in ₹ Crores) | |
|--|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| a) Provision for Employee Benefits | | |
| i) Transmission incentive special | | |
| As per last Balance Sheet | 8.76 | |
| Addition during the year | 9.30 | 8.76 |
| Amount paid/adjusted during the year | 7.58 | |
| Closing Balance | 10.48 | 8.76 |
| ii) Provision for Wage revision | | |
| As per last Balance Sheet | 3.08 | |
| Additions during the year | 3.07 | 3.08 |
| Amounts utilised/paid during the year | - | |
| Closing Balance | 6.15 | 3.08 |
| iii) Other Employee Benefits (Leave Encashment, Settlement Allowance, Post retirement medical benefits etc.) | | |
| As per last Balance Sheet | 1.18 | |
| Additions during the year | 2.79 | 1.18 |
| Amounts utilised/paid during the year | 1.94 | |
| Closing Balance | 2.03 | 1.18 |
| Total (A) | 18.66 | 13.02 |
| b) Others | | |
| i) Taxation (Including interest on Tax) | | |
| As per last Balance Sheet | 18.55 | - |
| Additions during the year | 32.71 | 18.55 |

| Description | (Figures in ₹ Crores) | |
|---------------------------------|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| Amount adjusted during the year | - | - |
| Closing Balance | 51.26 | 18.55 |
| ii) Proposed Dividend | | |
| As per last Balance Sheet | 3.06 | - |
| Additions during the year | 9.20 | 3.06 |
| Amounts paid during the year | 7.66 | - |
| Closing Balance | 4.60 | 3.06 |
| iii) Dividend Tax | | |
| As per last Balance Sheet | 0.50 | - |
| Additions during the year | 1.49 | 0.50 |
| Amounts paid during the year | 0.50 | - |
| Closing Balance | 1.49 | 0.50 |
| Total (B) | 57.35 | 22.11 |
| Total (A+B) | 76.01 | 35.13 |

Note 2.11/Tangible assets

| Description | (Figures in ₹ Crores) | | | | | | | | | | | |
|---|-----------------------|--------------------------|-----------------|----------------------------|-------------------|---------------------------|--------------------------|-----------------|----------------------------|-------------------|-------------------|-------------------|
| | Gross Block | | | | | Depreciation/Amortisation | | | | | Net Block | |
| | As on 01-Apr-2011 | Additons during the year | Sale / Disposal | Adjustment during the year | As at 31-Mar-2012 | Upto 31-Mar-2011 | Additons during the year | Sale / Disposal | Adjustment during the year | As at 31-Mar-2012 | As at 31-Mar-2012 | As at 31-Mar-2011 |
| Civil Works | | | | | | | | | | | | |
| a) RLDCs | 9.87 | - | - | - | 9.87 | 1.57 | 0.33 | - | - | 1.90 | 7.97 | 8.30 |
| b) Township | 0.05 | - | - | - | 0.05 | 0.01 | - | - | - | 0.01 | 0.04 | 0.04 |
| Temporary Erection | 0.11 | 0.01 | - | - | 0.12 | 0.09 | 0.02 | - | - | 0.11 | 0.01 | 0.02 |
| Water Supply Drainage & Sewerage | 0.03 | - | - | - | 0.03 | - | - | - | - | - | 0.03 | 0.03 |
| Plant & Machinery | | | | | | | | | | | | |
| a) RLDCs | 2.50 | 0.17 | - | - | 2.67 | 0.67 | 0.14 | - | - | 0.81 | 1.86 | 1.83 |
| b) ULDC | 247.37 | 0.12 | - | 0.18 | 247.31 | 215.84 | 17.61 | - | 3.26 | 230.19 | 17.12 | 31.53 |
| c) Communication | 0.52 | - | - | - | 0.52 | 0.17 | 0.03 | - | - | 0.20 | 0.32 | 0.35 |
| Furniture Fixtures | 7.38 | 0.33 | 0.01 | 0.01 | 7.69 | 2.44 | 0.55 | - | - | 2.99 | 4.70 | 4.94 |
| Office equipment | 2.01 | 0.48 | 0.01 | 0.02 | 2.46 | 0.82 | 0.19 | - | 0.03 | 0.98 | 1.48 | 1.19 |
| Electronic Data Processing & Word Processing Machines | 6.49 | 2.01 | - | 0.08 | 8.42 | 3.83 | 0.79 | - | 0.29 | 4.33 | 4.09 | 2.66 |
| Vehicles | 0.01 | - | - | - | 0.01 | - | - | - | - | - | 0.01 | 0.01 |

(Figures in ₹ Crores)

| Description | Gross Block | | | | | Depreciation/Amortisation | | | | | Net Block | |
|----------------------------------|-------------------|--------------------------|-----------------|----------------------------|-------------------|---------------------------|--------------------------|-----------------|----------------------------|-------------------|-------------------|-------------------|
| | As on 01-Apr-2011 | Additons during the year | Sale / Disposal | Adjustment during the year | As at 31-Mar-2012 | Upto 31-Mar-2011 | Additons during the year | Sale / Disposal | Adjustment during the year | As at 31-Mar-2012 | As at 31-Mar-2012 | As at 31-Mar-2011 |
| Constrn.and Workshop equipment | 0.01 | - | - | - | 0.01 | 0.01 | - | - | - | 0.01 | - | - |
| Electrical Installation | 0.07 | 0.03 | - | - | 0.10 | 0.03 | 0.01 | - | - | 0.04 | 0.06 | 0.04 |
| Miscellaneous Assets/ Equipments | 0.11 | - | - | - | 0.11 | 0.09 | - | - | - | 0.09 | 0.02 | 0.02 |
| Grand Total | 276.53 | 3.15 | 0.02 | 0.29 | 279.37 | 225.57 | 19.67 | - | 3.58 | 241.66 | 37.71 | 50.96 |
| Previous Year | | 276.53 | | | 276.53 | | 225.57 | | | 225.57 | 50.96 | |

Note 2.12/Intangible assets

(Figures in ₹ Crores)

| Description | Gross Block | | | | | Depreciation/Amortisation | | | | | Net Block | |
|-------------------------------------|-------------------|--------------------------|-----------------|----------------------------|-------------------|---------------------------|--------------------------|-----------------|----------------------------|-------------------|-------------------|-------------------|
| | As on 01-Apr-2011 | Additons during the year | Sale / Disposal | Adjustment during the year | As at 31-Mar-2012 | Upto 31-Mar-2011 | Additons during the year | Sale / Disposal | Adjustment during the year | As at 31-Mar-2012 | As at 31-Mar-2012 | As at 31-Mar-2011 |
| Electronic Data Processing Software | 0.25 | 1.87 | - | - | 2.12 | 0.07 | 0.44 | - | -0.08 | 0.59 | 1.53 | 0.18 |
| | 0.25 | 1.87 | - | - | 2.12 | 0.07 | 0.44 | - | -0.08 | 0.59 | 1.53 | 0.18 |
| Previous Year | | 0.25 | | | 0.25 | | 0.07 | | | 0.07 | 0.18 | |

Note 2.13/Capital work in progress

(Figures in ₹ Crores)

| Description | As on 01-Apr-2011 | Additions | Adjustments | capitalised during the year | As at 31-Mar-2012 |
|--|-------------------|-------------|-------------|-----------------------------|-------------------|
| Civil Works | | | | | |
| Regional Load Despatch Centre & Office (Incl. civil work) | 0.19 | 0.41 | | | 0.60 |
| Plant & Equipments (including associated civil works) | | | | | |
| ULDC | 0.48 | 1.73 | | | 2.21 |
| Incidental Expenditure during Construction | 0.02 | | | | 0.02 |
| TOTAL | 0.69 | 2.14 | | | 2.83 |

Note 2.14/Construction stores

(Figures in ₹ Crores)

| Description | As at 31-Mar-2012 | As at 31-Mar-2011 |
|--|-------------------|-------------------|
| Constrction Stores (Including Material In Transit pending issue to contractors and with contractors of ₹ 0.06 Crore) | 0.06 | 0.06 |
| TOTAL | 0.06 | 0.06 |

Note 2.15/Deferred tax Assets (Net)

| Description | (Figures in ₹ Crores) | |
|---|-----------------------|-------------------|
| | As at 31-Mar-2012 | As at 31-Mar-2011 |
| Deferred Tax Asset | | |
| Employee Benefits-Leave encashment, Incentive u/s 43B | 1.33 | - |
| Wage Revision Provision | 9.95 | - |
| Provisions | 0.01 | 2.53 |
| Interest on Truing up | 1.57 | - |
| Sub-total (A) | 12.86 | 2.53 |
| Deferred Tax Liability | | |
| Towards Fixed Assets (Net) | 6.17 | (0.82) |
| Sub-total (B) | 6.17 | (0.82) |
| Net Deferred Tax Assets | 6.69 | 3.35 |

Note 2.16/Long-term loans and advances

| Unsecured Considered Good unless otherwise stated) | | (Figures in ₹ Crores) | |
|--|------|-----------------------|-------------------|
| Description | | As at 31-Mar-2012 | As at 31-Mar-2011 |
| Other loans and advances | | | |
| i) Employees (including Interest Accrued) | | | |
| a) Secured | 6.17 | | 5.79 |
| b) Unsecured - Considered good | 0.42 | | 0.31 |
| -Considered doubtful | 0.05 | | 0.05 |
| | 6.64 | | 6.15 |
| Less: Provision for Bad & Doubtful Advances | 0.05 | | 0.05 |
| | 6.59 | | 6.10 |
| ii) Advances recoverable in cash or in kind or for value to be received (Unsecured considered good) | | | |
| a) Contractors & Suppliers | 0.01 | | 1.14 |
| b) Employees | 0.99 | | 2.01 |
| c) Others | 2.38 | | 15.39 |
| d) Others-Third Party | 1.61 | | - |
| e) Balance with Customs Port Trust and other authorities | 0.16 | | 0.14 |
| | 5.15 | | 18.68 |
| | | 11.74 | 24.78 |
| TOTAL | | 11.74 | 24.78 |
| Due from | | | |
| Directors | | - | - |
| Officers | | 0.60 | 0.64 |

Note 2.17/Trade receivables

| | | (Figures in ₹ Crores) | |
|---|--|-----------------------|-------------------|
| Description | | As at 31-Mar-2012 | As at 31-Mar-2011 |
| i) Debts Outstanding for a period exceeding Six Months | | | |
| Considered Good | | 3.14 | - |
| Considered Doubtful | | 0.03 | - |

| Description | As at 31-Mar-2012 | As at 31-Mar-2011 |
|--|---------------------|---------------------|
| ii) Other Debts | | |
| -Billed Debtors | 17.74 | 88.75 |
| -Unbilled Debtors | 0.84 | 1.27 |
| | <u>21.75</u> | <u>90.02</u> |
| Less: Provision for bad & doubtful debts | 0.03 | - |
| TOTAL | <u>21.72</u> | <u>90.02</u> |

Note 2.18/Cash and Bank Balances

(Figures in ₹ Crores)

| Description | As at 31-Mar-2012 | As at 31-Mar-2011 |
|--|----------------------|----------------------|
| 1) Cash and Cash Equivalents | | |
| Balance with Banks | | |
| -In Current Accounts / Flexi deposit Accounts | 231.40 | 225.25 |
| -In LDC Development Account | 27.10 | 41.32 |
| Cash on hand | - | 0.01 |
| | 258.50 | 266.58 |
| 2) Other Bank Balances | | |
| -In Designated Current Accounts / Flexi Deposit accounts operated & maintained in terms of CERC regulations (Refer Note no. 2.31 of Other Notes on Accounts) | 416.59 | 727.99 |
| | 416.59 | 727.99 |
| TOTAL | <u>675.09</u> | <u>994.57</u> |

Note 2.19/Short-term loans and advances

(Figures in ₹ Crores)

| Description | As at 31-Mar-2012 | As at 31-Mar-2011 |
|---|---------------------|---------------------|
| A) Loans | | |
| a) Employees including interest accrued | | |
| Secured Considered good | 1.47 | 1.25 |
| b) Related parties | | |
| Holding Company- Power Grid Corp of India Ltd. | 7.85 | - |
| Total(A) | <u>9.32</u> | <u>1.25</u> |
| B) Advances recoverable in cash or in kind or for value to be received | | |
| a) Employees | 1.13 | 1.18 |
| b) Others | | |
| Contractors & Suppliers (Including Material issued on loan) | 0.17 | |
| Advance Tax & TDS | 86.05 | 19.00 |
| Others | 1.10 | 0.29 |
| | <u>87.32</u> | <u>19.29</u> |
| Total (B) | <u>88.45</u> | <u>20.47</u> |
| Total(A+B) | <u>97.77</u> | <u>21.72</u> |
| Directors | - | - |
| Officers | 0.41 | 0.23 |

Note 2.20/Other current assets

(Figures in ₹ Crores)

| Description | As at 31-Mar-2012 | As at 31-Mar-2011 |
|---|-------------------|-------------------|
| a) Interest accrued but not due | | |
| Interest accrued on Term/Fixed Deposits | 9.54 | 11.90 |
| Interest accrued on Term/Fixed Deposits-In Designated A/c | 4.30 | - |
| b) Others | 0.14 | - |
| TOTAL | 13.98 | 11.90 |

Note 2.21/Revenue from operations

(Figures in ₹ Crores)

| Description | For the Year ended 31-Mar-2012 | For the Period ended 31-Mar-2011 |
|---|-----------------------------------|-------------------------------------|
| A.Sales of services | | |
| i) Revenue from System and Market Operation | 158.54 | 87.58 |
| ii) Consultancy Project Management and Supervision Fees | 3.05 | 1.39 |
| Total | 161.59 | 88.97 |

Note 2.22/Other income

(Figures in ₹ Crores)

| Description | For the Year ended 31-Mar-2012 | For the Period ended 31-Mar-2011 |
|--|-----------------------------------|-------------------------------------|
| A) Interest from | | |
| Indian Banks | 23.93 | 4.70 |
| Employees Loans and Others | 0.36 | 0.16 |
| Total (A) | 24.29 | 4.86 |
| B) Others | | |
| Deferred Income (Transferred from Grants-in-aid) | 0.85 | 3.06 |
| Short Term Open Access-Other Charges | 25.44 | 11.31 |
| Surcharge | 0.17 | - |
| FERV gain | - | 0.01 |
| Provision written back | 0.01 | - |
| Miscellaneous income | 1.99 | 7.50 |
| Total (B) | 28.46 | 21.88 |
| TOTAL | 52.75 | 26.74 |

Note 2.23/Employee benefits expense

(Figures in ₹ Crores)

| Description | For the Year ended 31-Mar-2012 | For the Period ended 31-Mar-2011 |
|---|-----------------------------------|-------------------------------------|
| Salaries wages allowances & benefits | 65.03 | 28.11 |
| Contribution to provident and other funds | 4.29 | 4.53 |
| Welfare expenses | 4.90 | 3.91 |
| TOTAL | 74.22 | 36.55 |

Note 2.24/Finance costs

| Description | (Figures in ₹ Crores) | |
|---|-----------------------------------|-------------------------------------|
| | For the Year ended 31-Mar-2012 | For the Period ended 31-Mar-2011 |
| A) Interest on Loan from | | |
| Foreign Banks and Financial Institutions | 0.15 | 0.12 |
| Secured/Unsecured redeemable Bonds | 0.54 | 0.51 |
| Others | 4.84 | 0.34 |
| | 5.53 | 0.97 |
| B) Other Borrowing Cost | | |
| Guarantee Fee | 0.20 | 0.18 |
| Other finance charges | 0.01 | 0 |
| | 0.21 | 0.18 |
| C) Foreign Exchange Rate Variation | 22.42 | 0.08 |
| Less: Recoverable from Beneficiaries at the time of Truing Up (Refer Note No. 2.38 (II) of Other Notes on Accounts). | 22.42 | - |
| TOTAL | 5.74 | 1.23 |

Note 2.25/Depreciation and amortization expense

| Description | (Figures in ₹ Crores) | |
|---|-----------------------------------|-------------------------------------|
| | For the Year ended 31-Mar-2012 | For the Period ended 31-Mar-2011 |
| Depreciation/Amortization-Tangible Assets | 19.67 | 30.85 |
| Amortization-Intangible Assets | 0.44 | 0.07 |
| Total | 20.11 | 30.92 |

Note 2.26/Operation, Maintenance and Other Administrative Expenses

| Description | (Figures in ₹ Crores) | |
|--|-----------------------------------|-----------------------------------|
| | For the Year ended 31-Mar-2012 | For the Year ended 31-Mar-2012 |
| Repair & Maintenance | | |
| Buildings | 0.55 | 0.21 |
| Plant & Machinery | | |
| RLDCs | 20.46 | 9.99 |
| Others | 1.62 | 1.09 |
| | 22.08 | 11.08 |
| Power charges | 2.74 | 1.08 |
| Training & Recruitment Expenses | 1.35 | 0.54 |
| Communication expenses | 0.94 | 0.41 |
| Travelling & Conv.exp.(excluding foreign travel) | 3.32 | 1.27 |
| Foreign travel | 0.28 | 0.10 |
| | 3.60 | 1.37 |
| Statutory Audit Fees | 0.07 | 0.07 |
| Tax Audit Fees | 0.02 | 0.02 |
| Miscellaneous expenses | 1.13 | 0.76 |
| Security Expenses | 2.36 | 1.00 |
| Rebate to Customers | 2.40 | 0.09 |
| Other Expenses | 2.85 | 3.96 |
| | 40.09 | 20.59 |
| Loss on Disposal/Write off of Fixed Assets | 0.05 | 0.01 |
| Total | 40.14 | 20.60 |

Note 2.27/Prior period items

(Figures in ₹ Crores)

| Description | For the Year ended 31-Mar-2012 | For the Period ended 31-Mar-2011 |
|--|-----------------------------------|-------------------------------------|
| A. PRIOR PERIOD AND EXTRAORDINARY ITEMS | | |
| Prior Period items | | |
| Income | | |
| Depreciation written back | 3.29 | - |
| Others | 3.09 | - |
| (A) | 6.38 | - |
| Expenditure | | |
| Depreciation | 0.09 | - |
| Interest cost | 0.22 | - |
| Others | 0.31 | - |
| (B) | 0.62 | - |
| Prior period expenditure/(income) (A - B) | (5.76) | - |
| Total | (5.76) | - |

OTHER NOTES:-

2.28 The Financial Statements for the period ended 31st March, 2011 were prepared as per the then applicable Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the Financial Statements for the year ended 31st March, 2012 are prepared as per Revised Schedule VI. Accordingly, the previous period figures have also been reclassified to confirm to this year classification. The adoption of revised Schedule VI for the previous period figures does not impact recognition and measurement principles followed for preparation of Financial Statements.

2.29 Nature Of Operations:-

The Company was incorporated on 20th March 2009 as a wholly owned subsidiary of the Power Grid Corporation of India Limited, a Government of the India Enterprise, to take over the business of the System Operations and Market Operations, which were earlier carried out by the Holding Company(POWERGRID). POSOCO is responsible for the following operations:-

- i) To supervise and control all aspect concerning operations and manpower requirement of RLDCs and NLDC.
- ii) To act as the apex organisation for human resources requirement of NLDC and RLDCs.
- iii) To ensure planning and implementation of infrastructure required for smooth operation and development of National and Regional LDCs.
- iv) To coordinate the functioning of NLDC and all RLDCs.
- v) To advise and assist state level Load Despatch Centres, including specialized trainings etc.
- vi) To perform any other function entrusted to it by the Ministry of Power.

2.30 As per the memorandum of understanding consequent upon sale of moveable assets to POSOCO, all operations and transactions (billing and banking) carried, on or after October 1, 2010 by the RLDCs and NLDC, in the name of Holding Company are deemed to have been carried on behalf of POSOCO.

2.31 **Unscheduled Interchange Pool Account Fund(UI), Congestion Charge Account, Reactive Energy Charges Account(RE) Inter Regional Exchange Account(IRE) and Short Term Open Access (STOA) collection account.**

The Central Electricity Regulation Commission vide following regulations has directed the Regional Load Dispatch Centres in each region to operate and maintain Unscheduled Interchange Pool Account Fund, Congestion Charge Account, Reactive Energy Charges Account.

All payments on account of Unscheduled Interchange charges including Additional Unscheduled Interchange charges levied and interest, if any, received for late payment are credited to the funds called the "Regional Unscheduled Interchange Pool Account Fund", maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission (Unscheduled Interchange charges and related matters) Regulations.

All payments on account of Congestion Charges and interest, if any, received for late payment are credited to the funds called

the “Congestion Charge Account”, maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission (Measures to relieve congestion in real time operation) Regulations. All payments on account of Reactive Energy Pool Account are credited to the funds called the “Reactive Energy Account”, maintained and operated by the Regional Load Despatch Centres in accordance with provisions of Central Electricity Regulatory Commission.

These funds are equally matched with fund balance in the bank accounts in the current and fixed deposit accounts except for difference due to interest accrued and TDS on interest, which are funded on the receipt of the interest and TDS Certificates. As on 31/03/2012, the total balance in these designated bank accounts were amounting to ₹ 416.59 Cr. as against the liability in these funds amounting to ₹ 426.64 Cr. The net difference in the Liability and the designated bank accounts amounting to ₹ 10.05 Cr. on account of the Interest accrued and TDS on interest is subject to reconciliation and consequential adjustments if any.

2.32 LDC Development Fund

Revenue during the year on account of Depreciation, Interest on Loan, Return on Equity (based on truing-up adjustment) amounting to ₹ 40.84 Cr. and other income amounting to ₹ 54.13 Cr. comprising mainly of STOA and interest income is required to be deposited in LDC Development Fund in terms of CERC Regulation. The fund has been utilised towards loan/ interest repayment of ₹ 41.20 Cr., income tax of ₹ 14.12 Cr. (after adjustment of ₹ 15.25 Cr. of deferred tax), dividend of ₹ 10.69 Cr. (including dividend tax), & Capex ₹ 5.02 Cr. resulting in net accretion of ₹ 23.95 Cr. to fund.

A sum of ₹ 27.10 Cr. is lying in the designated bank account against LDC Development Fund of ₹ 70.24 Cr. as on 31.03.2012. The amount required to be contributed during the FY 2012-13 is ₹ 43.13 Cr.

Utilisation of the Fund for payment of statutory dues for income tax including its methodology and any under- recovery of the fees and charges has already been taken up with the CERC and necessary adjustments will be made in the accounts as per directions of CERC.

2.33 The CERC while giving approval under sub-section (4) of the section 28 of the Electricity Act 2003, read with the CERC (Fees and charges of Regional Load despatch Centre and other related matters) Regulations 2009 for the RLDCs charges has noted that at present the system operation is not subject to the service tax.

2.34 Deferred Tax Liability, being the difference between WDV as per books and WDV as per income tax is claimable from beneficiaries, of ₹ 15.25 Cr. has materialised during the year. The same has been accounted for as income recoverable from Holding Company. However, CERC Regulations, 2009 applicable for RLDC Fees & Charges does not contain any such provisions.

2.35 Pending reconciliation, materials amounting to ₹ 0.06 Cr. (previous period ₹ 0.06 Cr.) (included under Construction Stores – as per accounting policy note no. 1.8) is shown as construction stores lying with contractors.

- 2.36**
- Balances in Loans and advances, TDS certificates Receivables/Recoverables, STOA Advance from customers, Sundry Creditors, Advances from Customers and Sundry Debtors are subject to reconciliation, confirmation and consequential adjustments, if any.
 - 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.

2.37 The company is providing for depreciation based on the CERC norms, which is in line with the tariff policy issued by the MOP for the block period 2009-14, which provides that the rates of depreciation as notified by CERC would be applicable for the purpose of tariff as well as accounting.

Depreciation charge for the FY 2011-12 is higher by ₹ 10.30 Cr. (previous period ₹ 22.42 Cr.) as compared to the depreciation as per rates provided in the Schedule XIV of the Companies Act, 1956.

- 2.38**
- In respect of System and Market Operation charges ₹ 33.39Cr. (Previous period ₹ 6.51Cr.) has been de-recognised from income during the year and the same is transferred to the liability account to be adjusted on truing up exercise by the CERC after the expiry of the control period (2009-14) as per accounting policy note no 1.11.1 regarding revenue recognition.
 - FERV loss of ₹ 22.42 Cr. is recoverable from constituents in line with regulations of CERC and the same shall be considered by CERC at the time of truing-up exercise.
 - Pre-incorporation expenses of ₹ 0.83 Cr. (Previous period ₹ 1.27 Cr.) lying for which billing is yet to be done.

2.39 The Company has provided liability of ₹ 3.07 Cr. (Previous period ₹ 3.08 Cr.) accumulated balance till date ₹ 6.15 Cr., for pension contribution payable as Superannuation benefits as per DPE guidelines. The scheme of superannuation benefits is yet to be finalised.

Other income includes ₹ 0.85 Cr. (Previous period ₹ 3.06 Cr.) being the amount transferred from Grants-in-aid received (as per accounting policy note no. 1.4).

2.40 The Company is following AS-15 (revised 2005) 'Employee Benefits'.

The information under this clause has been provided on estimated basis based on the actuarial valuation taken as a whole for employees of Power Grid Corporation of India Ltd. including employees of POSOCO.

- a) All the employees of POSOCO are on secondment basis from its Holding Company Power Grid Corporation of India Ltd. Above employees shall continue to draw pay and allowances and other facilities as they have been drawing with the POWERGRID and shall be subject to rules and policies as applicable to them in POWERGRID before their transfer to POSOCO except incentives, which shall be protected through special allowance at the rate as would have been admissible as if they were continuing their service with POWERGRID.
- b) Liability on account of Leave encashment, Post Retirements Medical Plan, Baggage Allowance, Gratuity and Superannuation liability is based on actuarial liability calculated as per the report of Actuary Valuer.

Defined Employee Benefit Schemes are as under:-

A. Provident Fund

Company pays fixed contribution to Provident Fund at predetermined rate to a separate trust managed by the Holding Company in the name of Power Grid Employees Provident Fund 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 and Loss Account. 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 return 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 with a separate trust maintained by the Holding Company in the name of the Power Grid Employees Gratuity fund Trust. 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 on superannuation, resignation, termination, disablement or on death subject to a maximum of ₹ 10 Lacs. 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 on Balance Sheet date.

C. Post-Retirement Medical Facility (PRMF)

The company has Post-Retirement Medical Facility (PRMF), under which retired employees 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 and Loss Account on the basis of actuarial valuation on annual basis on Balance Sheet date.

D. 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 and Loss Account on the basis of actuarial valuation on annual basis on Balance Sheet date.

E. Other Employee Benefits

Provision for Leave Encashment for the year amounting to ₹ 4.72 Cr. (previous period ₹ 1.66 Cr.) for the year up to 31st March 2012 has been made on the basis of actuarial valuation for the POSOCO employees.

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

a) Expenses recognised in Profit and Loss Account

(₹ in Cr.)

| | GRATUITY | PRMF | ODRB |
|--|--------------|--------------|--------------|
| | Current Year | Current Year | Current Year |
| Current Service Cost | 0.98 | 0.27 | 0.03 |
| Interest cost on benefit obligation | 1.74 | 0.61 | 0.06 |
| Expected return on plan assets | (1.74) | - | - |
| Net actuarial (gain)/loss recognized in the year | 0.52 | 0.51 | - |
| Expenses recognized in the Profit and Loss Account | 0.46 | 1.39 | 0.09 |

b) The amount recognized in the Balance Sheet:

(₹ in Cr.)

| | GRATUITY | PRMF | ODRB |
|---|--------------|--------------|--------------|
| | Current Year | Current Year | Current Year |
| (i) Present value of obligation as at 31/03/2012 | 21.88 | 8.39 | 0.73 |
| (ii) Fair value of plan assets as at 31/03/2012 (*) | 21.42 | - | - |
| Difference (i) – (ii) | (0.46) | (8.39) | (0.73) |
| Net liability recognized in the Balance Sheet | (0.46) | (8.39) | (0.73) |

(*) The fund is maintained with the Powergrid Employees Gratuity Fund Trust. Difference, if any in the plan assets is shown in the Books of the Holding Company as a whole for employees of Power Grid Corporation of India Ltd. and employees of Power System Operation Corporation Ltd.

c) Weighted Average Rate of Return on plan assets during the year is 8.94% (Previous period 8.79%)

d) Changes in the Present Value of the Defined Benefit obligations.

(₹ in Cr.)

| | GRATUITY | PRMF | ODRB |
|--|--------------|--------------|--------------|
| | Current Year | Current Year | Current Year |
| Present value of obligation as at 31/03/2011 | 20.46 | 7.16 | 0.65 |
| Interest cost | 1.74 | 0.61 | 0.05 |
| Current Service Cost | 0.98 | 0.27 | 0.03 |
| Benefits paid | (0.82) | (0.16) | 0 |
| Net actuarial (gain)/loss on obligation | 0.48 | 0.51 | 0 |
| Present Value of obligation as at 31/03/2012 | 21.88 | 8.39 | 0.73 |

F. Details of the Plan Asset (Gratuity)

The details of the plan assets at cost as on 31st March, 2012 are not given in view of the fact, that the Fund is maintained with Powergrid Employees Gratuity Fund Trust as a whole for employees of Power Grid Corporation of India Ltd and employees of Power System Operation Corporation India Ltd. on secondment basis.

G. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

- Method used - Projected Unit Credit (PUC)
- Discount rate – 8.5% (Previous period 8%)
- Expected rate of return on assets (Gratuity only) – 8.5% (Previous period 8.5%)
- Future salary increase- 6% (Previous period 5.5%)

The estimate of future salary increases, considered in actuarial valuation, takes into account

- (i) inflation,
- (ii) Seniority
- (iii) Promotion and
- (iv) Other relevant factors, such as supply and demand in the employment market.

2.41 Segment Reporting

The Company's principle business is power system and market operation and no other business segment exists other than this. The Company operates within India and does not have operations in economic environments with different risks and returns. Hence, it is considered operating in single geographical segment.

2.42 Related Party Disclosures

a) Joint Ventures with Holding Company:-

- i) Powerlinks Transmission Limited
- ii) Torrent Power Grid Limited
- iii) Jaypee POWERGRID Limited
- iv) Parbati Koldam Transmission Company Ltd
- v) Teestavalley Power Transmission Limited
- vi) North East Transmission Company Limited
- vii) National High Power Test Laboratory Private Limited
- viii) Energy Efficiency Services Limited.

b) Holding Company:-

Power Grid Corporation of India Limited

c) Key Management Personnel

| | | |
|------|----------------------|---|
| i) | Sh. R. N. Nayak | Chairman (from 01.09.2011 to till date) |
| ii) | Sh. S. K. Chaturvedi | Ex-Chairman (Superannuated on 31.08.2011) |
| iii) | Sh. R T Agarwal | Director (from 16.05.2011 to till date) |
| iv) | Sh. I. S. Jha | Director (from 01.09.2011 to till date) |
| v) | Sh. Santosh Saraf | Director (from 26.03.2012 to till date) |
| vi) | Sh. J. Sridharan | Ex-Director (Superannuated on 30.04.2011) |
| vii) | Sh. F. A. Vandrevale | Ex-Director (Superannuated on 10.07.2001) |

d) Transactions with the Holding Company are as follows:

The Company has received system operation charges of ₹ 15.48 Cr. and allowed a rebate of ₹ 0.30 Cr. Further, the company has paid ₹ 914.70 Cr. on account of Transmission Charges and ₹ 27.07 Cr. on account of UI & IRE Charges and ₹ 2.74 Cr. on account of other transactions to the Holding Company.

e) Director's sitting fee ₹ 30,000/- (Previous period ₹ 10,000) for independent director.

2.43 Disclosures regarding Leases

Operating Leases:-

The Company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices are usually renewable on mutually agreed terms but are not non-cancellable. Employees' remuneration and benefits include ₹ 4.35 Cr. (Previous period ₹ 1.59 Cr.) towards lease payments net of recoveries in respect of premises for residential use of employees.

2.44 Earning Per Share calculated in accordance with the provisions of AS-20

| Numerator | As at 31.03.2012 (FY 2011-12) | As at 31.03.2011 (Oct.10-Mar.11) |
|---|----------------------------------|-------------------------------------|
| Profit / (Loss) after tax as per Profit and Loss Account (Used as Numerator (₹ In Cr.)) | 50.52 | 11.21 |
| Denominator | | |
| Number of Equity Shares (Face value of. ₹ 10/- each) | 30640000 | 30640000 |
| Number of Shares allotted during the year | - | 30590000 |
| Weighted Average number of equity shares for calculating | 30640000 | 15303096 |
| Basic Earning Per Share | | |
| Weighted Average number of equity shares for calculating | 30640000 | 15303096 |
| Diluted Earning Per Share | | |
| Basic Earning Per Share (₹ / per share) (Face value of ₹ 10/- each) | 16.49 | 7.33 |
| Diluted Earning Per Share (₹ / per share) (Face value of ₹ 10/- each) | 16.49 | 7.33 |

2.45 During the year the company has provided ₹ 6.69 Cr. (previous period ₹ 3.35 Cr.) as net deferred tax assets.

Major components of deferred tax assets are given as under:-

(₹ in Cr.)

| Numerator | Balance as at 31.03.2012 | Balance as at 31.03.2011 |
|--|-----------------------------|-----------------------------|
| Deferred Tax Liability | | |
| Towards Depreciation(Diff. of WDV as per Income Tax and Books) (A) | 6.17 | - |
| Deferred Tax Asset | | |
| Towards Wage Revision Provision | 9.95 | - |
| Other Provisions | 0.01 | 1.15 |
| Leave Encashment Liabilities-u/s 43B | 1.33 | 2.20 |
| Towards interest on truing up of income | 1.57 | - |
| Sub Total (B) | 12.86 | 3.35 |
| Net Deferred Tax Assets (B-A) | 6.69 | 3.35 |

2.46 In accordance with AS-28 "Impairment of Assets", the Company has assessed on the Balance Sheet date whether there are any indications with regard to impairment of any of the assets. Based on such assessment it has been ascertained that no potential loss is present and therefore no formal estimate of recoverable amount has been made. Accordingly, no impairment loss has been provided in the accounts.

2.47 DPE has directed to include Corporate Social Responsibility (CSR), Sustainable Development (SD) and R&D Expenditure out of the profit of the Company as a percentage of profit after tax. However, regulation 9 of RLDC Fees and Charges Regulation of CERC does not allow any re-imbursement of above expenses. Since the CSR, SD and R&D activities are mandatory activities as per DPE guidelines, relaxation of regulation 9 is required and a petition in this regard has been filed with CERC on 11.04.2012.

2.48 Fixed assets of the company are not insured.

2.49 Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 6.57 Cr. (Previous period ₹ Nil).

2.50 Disclosure in respect of contingent liabilities as required in AS 29 of 'Provisions, Contingent Liabilities and Contingent Assets':

Contingent Liabilities:

Demand of Rent for the office and staff quarters accommodation raised by the WREB, Mumbai till date is ₹ 3.02 Cr. (previous period ₹ 1.00 Cr.), which was disputed by the Company and Company has sought for the transfer of the ownership of office accommodation and residential quarters before the Ministry of power, Govt. of India. However, no decision has come so far.

2.51 a) VALUE OF IMPORTS CALCULATED ON CIF BASIS

| | (₹ in Cr.) | |
|------------------|--------------|-----------------|
| | Current Year | Previous period |
| i) Capital Goods | - | - |
| ii) Spare Parts | - | - |

b) EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)

| | (₹ in Cr.) | |
|-------------------------|--------------|-----------------|
| | Current Year | Previous period |
| i) Repair & Maintenance | 9.28 | 2.92 |
| ii) Foreign Travel | 0.06 | 0.01 |
| iii) Others | - | - |

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

| | (₹ in Cr.) | | | |
|---------------------------------|-------------|--------------|---|---------------|
| | % | Current Year | % | Previous Year |
| i) Imported | - | - | - | - |
| ii) Indigenous (Including fuel) | 100% | Nil | - | 0.05 |

d) EARNINGS IN FOREIGN EXCHANGE

| | (₹ in Cr.) | |
|--------|--------------|-----------------|
| | Current Year | Previous period |
| Income | Nil | Nil |

- 2.52 a) The figures of the current year are not comparable with previous period figures since figures of previous period was for six months only.
- b) Figures have been rounded off to nearest Rupees in crore up to two decimal.
- c) Previous period figures have been re-grouped/re-arranged wherever necessary.

For and on behalf of the Board of Directors

(Priti Chaturvedi)
Company Secretary

(S. K. Soonee)
Chief Executive Officer

(R. T. Agarwal)
Director

(R. N. Nayak)
Chairman

For B C Jain & Co.
Chartered Accountants
Firm Regn. No 01099C

(Ranjeet Singh)
Partner
Membership No. 73488

Place: Gurgaon
Dated: 28th May, 2012

AUDITORS' REPORT

To,

The Members,

Power System Operation Corporation Limited,

1. We have audited the attached Balance Sheet of Power System Operation Corporation Limited as at March 31, 2012, and the Statement of 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 Act, 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 (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 paragraphs 4 and 5 of the said Order.
5. Further to our comments in the annexure referred to in paragraph 4 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of the books.
 - c) The Balance Sheet, Statement of 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, Statement of 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 and Accounting Policies annexed thereto, insofar 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 31st March, 2012.
 - ii) in the case of Statement 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 B C Jain & Co.
Chartered Accountants
Firm Regn. No. 01099C

(Ranjeet Singh)

Partner

M.No. 73488

Place : Gurgaon

Dated: 28 May, 2012

ANNEXURE TO THE AUDITORS' REPORT

RE: POWER SYSTEM OPERATION CORPORATION 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. There was no inventory carried by the Company. Therefore, clause 4(ii)(a), (b) and (c) of paragraph 4 of the Order is not applicable for the year.
3. a) The Company has not granted 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.
b) The Company had taken unsecured Loans from Power grid Corporation of India Limited-Holding Company amounting to ₹ 89.35 Cr. as on 31/03/2011. In our opinion based on the information, prima facie, the rate of interest and other terms and conditions of loans taken by the Company are not prejudicial to the interest of the Company. During the year the company has repaid the loan.
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 fixed assets and income from system operation and market operation. 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 there under, 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.
8. The Central Government has not prescribed maintenance of Cost Records under Section 209 (1)(d) of the Companies Act, 1956.
9. a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues except some delays 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 31.3.2012 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.
b) According to the information and explanation given to us, there is no disputed income tax / sales tax / customs duty / wealth tax / service tax / excise duty / cess dues, which have not been deposited by the company.
10. The Company is registered for a period not less than five years. Therefore, clause 4(x) of paragraph 4 of the Order is not applicable for the 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
16. In our opinion on an overall basis and according to the information and explanation given to us, the Company has not obtained any term loans 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 shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
19. The Company has not issued the debentures during the year.
20. The Company, during the year, has not raised any money by public issue.
21. According to the information and explanations given to us, one case of fraud of Company's mis-appropriation of funds to the extent of ₹ 0.66 Lacs was noticed, which has been recovered with interest during the year.

For B C Jain & Co.
Chartered Accountants
Firm Regn. No. 01099C

Place : Gurgaon
Dated: 28 May, 2012

(Ranjeet Singh)
Partner
M.No. 73488



Nagapattinam-Madhugiri Transmission Company Limited – Subsidiary Company

Directors' Report 2011-12

To

The Members,

Power Grid Corporation of India Limited (POWERGRID) has been selected as the successful bidder in their debut participation in tariff based competitive bidding for establishing transmission system associated with IPPs of Nagapattinam / Cuddalore Area: Package – A. In accordance with the guidelines for competitive bidding, Nagapattinam-Madhugiri Transmission Company Limited, the Special Purpose Vehicle incorporated to establish the transmission system associated with IPPs of Nagapattinam / Cuddalore Area: Package – A on build, own, operate and maintain (BOOM) basis, was acquired on 29th March, 2012 by POWERGRID from PFC Consulting Limited, the Bid Process Coordinator.

The Audited Annual Accounts for the period commencing from 20th May, 2011 to 29th March, 2012 were signed by Shri Sanjay Rai and Shri R Rahman, Former Directors of Nagapattinam-Madhugiri Transmission Company Limited. After acquisition of the Company by POWERGRID, the accounts of the Company for the 1st Financial Year ended 31st March, 2012 were signed by Shri I. S. Jha and Shri R. T. Agarwal, nominee Directors of POWERGRID on the Board of Nagapattinam-Madhugiri Transmission Company Limited. The Directors' Responsibility Statement for the financial year under review i.e. period ended on 31st March, 2012 has been signed by Shri Sanjay Rai, former Director on behalf of Directors for that period [from 20.05.2011 (date of incorporation) to 29.03.2012] of Nagapattinam-Madhugiri Transmission Company Limited.

The transmission system comprising 765 kV D/C & 765 kV S/C is to traverse through the States of Tamil Nadu and Karnataka. The commissioning schedule of the project is 36 months.

The application for grant of transmission license and adoption of transmission charges have been filed before CERC on 4th April, 2012.

Board of Directors

On acquisition by POWERGRID, Shri R. T. Agarwal, Director (Finance) POWERGRID, Shri I. S. Jha, Director (Projects), POWERGRID and Shri Bharat Bhushan, Executive Director, POWERGRID, have been nominated as Directors (Part-time) in the Company.

Shri R. Rahman and Shri Manoj Kumar Rana, who were Directors of the Company till 29th March, 2012, tendered their resignation on acquisition of the Company by POWERGRID in terms of 'Share Purchase Agreement' dated 29.03.2012. Shri Sanjay Rai, Director of the Company ceased to be a Director w.e.f. 4th April, 2012.

Auditors

M/s. Rakhecha & Co., Chartered Accountants, were appointed by C&AG as Statutory Auditors of the company for the period commencing from 20th May, 2011 and upto 31st March, 2012 i.e. 1st Financial Year of the Company.

Comptroller and Auditor General's Comments

Comments of the Accounts for the year ended 31st March, 2012 by the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 are given in Annexure-I to this report.

Directors' Responsibility Statement

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

- i) that in the preparation of the accounts for the period commencing from 20th May, 2011 and ending 31st March, 2012 the applicable accounting standards had been followed;
- ii) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the year and of the profit or loss of the Company for the year under review;

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

iv) that the Directors have prepared accounts for period ended 31st March, 2012 on a going concern basis.

Particulars of Employees

There is no employee whose particulars are required to be given in terms of Section 217(2A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

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

Acknowledgement

The Board extends its sincere thanks to POWERGRID, Comptroller & Auditor General of India and the Auditors of the Company.

For and on behalf of
Nagapattinam-Madhugiri Transmission Company Limited.

Sd/-
(I. S. Jha)
Chairman

Date: 08.08.2012.
Place: New Delhi.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NAGAPATTINAM-MADHUGIRI TRANSMISSION COMPANY LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2012.

The preparation of financial statements of Nagapattinam-Madhugiri Transmission Company Limited, New Delhi for the year ended 31 March, 2012 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 25 May, 2012.

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 the Nagapattinam-Madhugiri Transmission Company Limited for the year ended 31 March, 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's report under Section 619(4) of the Companies Act, 1956.

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

Sd/-

(Praveen Kumar Singh)

Principal Director of Commercial Audit &

Ex-officio Member Audit Board-III

New Delhi

Place: New Delhi

Date : 05th July, 2012

Balance Sheet as at 31st March 2012

| | | (Amount in ₹) |
|--|----------|---------------------|
| Description | Note No. | As at 31.03.2012 |
| I. EQUITY AND LIABILITIES | | |
| (1) Share Holder's Funds | | |
| (a) Share Capital | 3 | 500,000 |
| (b) Reserves & Surplus | 4 | (34,034) |
| | | <u>465,966</u> |
| (2) Non-current Liabilities | | - |
| (3) Current Liabilities | | |
| (a) Other Current Liabilities | 5 | 194,658,933 |
| (b) Short- Term Borrowings | 6 | - |
| | | <u>194,658,933</u> |
| Total | | <u>195,124,899</u> |
| II. ASSETS | | |
| (1) Non-current Assets | | |
| (a) Fixed Assets | | |
| (i) Tangible Assets | | - |
| (ii) Capital Work in Progress | 7 | 195,115,077 |
| | | <u>195,115,077</u> |
| (b) Long -term loans and advances | | - |
| (2) CURRENT ASSETS | | |
| (a) Cash and cash equivalents | 8 | 9,822 |
| (b) Short-term loans and advances | 9 | - |
| (c) Other Current Assets | | - |
| | | <u>9,822</u> |
| Total | | <u>195,124,899</u> |
| Expenditure During Construction Period | 10 | |
| Corporate Information | 1 | |
| Accounting policies | 2 | |

The accompanying notes are an integral part of the financial statements

For & on Behalf of Board of Directors

(R. T. Agarwal)
Director

(I.S. Jha)
Director and Chairman (Part-time)

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE
For & on behalf of
Rakhecha and Co.
CHARTERED ACCOUNTANTS
Firm Reg. No: 02990N

S.K. Rakhecha
(Partner)
M. No.081201

Place : New Delhi
Date : 25th May, 2012

Statement of Profit and Loss for the year ended 31st March, 2012

| | | (Amount in ₹) |
|--|----------|-------------------------------|
| Description | Note No. | For the year ended 31.03.2012 |
| I. Revenue from Operations | | |
| (a) Consultancy Income | | - |
| II. Other Income | | |
| Other Income | | - |
| III. Total (I+II) | | - |
| IV. EXPENSES | | |
| Preliminary Expenses | | 34,034 |
| Total | | 34,034 |
| V. Profit before exceptional and extraordinary items and tax (III-IV) | | (34,034) |
| VI. Exceptional itmes/ Prior Period Expense | | - |
| VII. Profit before exceptional and extraordinary items and tax (V-VI) | | (34,034) |
| VIII. Extraordinary itmes | | - |
| IX. Profit Before Tax (VII-VIII) | | (34,034) |
| X. Tax Expenses | | |
| (1) Current Tax | | - |
| for current year | | - |
| for earlier year | | - |
| (2) Deferred Tax | | - |
| XI. Profit (Loss) for the period (IX-X) | | (34,034) |
| XII. Earnings per equity shares: | | |
| (1) Basic | 24 | (0.68) |
| (2) Diluted | 24 | (0.68) |
| Expenditure During Construction Period | 10 | |
| Corporate Information | 1 | |
| Accounting policies | 2 | |

The accompanying notes are an integral part of the financial statements

For & on Behalf of Board of Directors

(R. T. Agarwal)
Director

(I.S. Jha)
Director and Chairman (Part-time)

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE

For & on behalf of

Rakhecha and Co.

CHARTERED ACCOUNTANTS

Firm Reg. No: 02990N

S.K. Rakhecha

(Partner)

M. No.081201

Place : New Delhi

Date : 25th May, 2012

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2012

(Amount in ₹)

| Particulars | For the year ended 31st March, 2012 |
|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | |
| Net Profit/(Loss) as per Profit & Loss A/c | (34,034) |
| Prior Period Expenses/ Preliminary expenses | - |
| Operating profit before working capital changes | (34,034) |
| Adjustment For Increase/Decrease in: | |
| Other Current Assets | - |
| Short Term Loans & Advances | - |
| Current Liabilities & Provisions | 194,658,933 |
| TOTAL | 194,624,899 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | |
| Capital Work in Progress | (195,115,077) |
| TOTAL | (195,115,077) |
| C. CASH FLOW FROM FINANCIAL ACTIVITIES | |
| Issue of Share Capital | 500,000 |
| TOTAL | 500,000 |
| NET INCREASE/(DECREASE) IN CASH FLOW (A+B+C) | 9,822 |
| CASH & CASH EQUIVALENT AT THE BEGINNING OF THE YEAR | - |
| CASH & CASH EQUIVALENT AT THE END OF THE YEAR | 9,822 |
| Cash on hand and balance with banks | 9,822 |
| Other Cash and Cash Equivalents | - |

For & on Behalf of Board of Directors

(R. T. Agarwal)
Director

(I.S. Jha)
Director and Chairman (Part-time)

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE

For & on behalf of

Rakhecha and Co.

CHARTERED ACCOUNTANTS

Firm Reg. No: 02990N

S.K. Rakhecha

(Partner)

M. No.081201

Place : New Delhi

Date : 25th May, 2012

Notes to Financial Statements for the period ended 31 March 2012

1 Corporate Information

The Company was incorporated on 20/05/2011 under the Companies Act 1956 as a wholly owned subsidiary of PFC Consulting Limited (PFCCCL), (A wholly owned subsidiary of Power Finance Corporation Ltd, a Govt. of India Undertaking.). Certificate for Commencement of Business was issued on 19/08/2011. The Company has been incorporated to develop power system network and Study, Investigate, collect information and data etc. for the purpose of transmission of electricity . The Company was taken over by Power Grid Corporation of India Ltd. on 29/03/2012.

2 Accounting Policies

a. Basis of Preparation

The financial statements have been prepared on accrual basis following the historical cost convention in accordance with the accounting principles generally accepted in India and are in accordance with the requirements of the Companies Act, 1956 and Accounting Standards as specified in Companies (Accounting Standards) Rules, 2006 prescribed by the Central Government.

b. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities), revenues and expenses of the reporting period. The difference between the actual results and estimates are recognized in the period in which the results are known and/or materialised.

c. Recognition of Income / Expenditure

Income and expenses (except otherwise stated) are accounted for on accrual basis.

d. Fixed Assets

Fixed assets are shown at historical cost less current/ accumulated depreciation. The company capitalizes all direct cost including borrowing cost up to the date of commercial use of such assets.

e. Depreciation / Amortisation

Depreciation on assets is provided on Written down Value method, in accordance with the rates prescribed in Schedule XIV of the Companies Act, 1956.

Items of Fixed Assets acquired during the year costing up to ₹ 5,000/- are fully depreciated.

f. Capital Work in Progress

Expenditure incurred on Survey /Studies /Investigations /Consultancy /Administration /Interest /Manpower Charges etc. has been capitalized & treated as Capital Work In Progress.

g. Preliminary Expenses

Preliminary expenses has been charged to the Profit & Loss account in the year in which such expenditure has been incurred.

h. Investments

Investments are stated at cost.

i. Borrowing Costs

Borrowing cost is charged to the profit & loss account for the year in which it is incurred except for capital assets where it is capitalized till the date of commercial use of the assets.

j. Provisions, Contingent Liabilities and Assets

The Company recognizes a provision when there is a present obligation as a result of a past event that probably requires outflow of resources, which can be reliably estimated. Disclosures for a contingent liability are made without a provision in

the books when there is an obligation that may, but probably will not (in the opinion of the Management), require outflow of resources. Contingent Assets are neither recognized nor disclosed in the financial statements.

k. Cash Flow Statement

Cash flow Statement is prepared in accordance with the indirect method prescribed in Accounting Standard-3 on Cash Flow Statement.

3 SHARE CAPITAL

| (Amount in ₹) | |
|---|------------------|
| Description | As at 31.03.2012 |
| Authorised : | |
| 50,000 Equity shares of ₹ 10/- each | 500,000 |
| Issued, subscribed and fully paid up shares : | |
| 50,000 Equity shares of ₹ 10/- each fully paid-up | 500,000 |
| Total Issued, subscribed and fully paid up share capital | 500,000 |

a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

| For the year ended 31.03.2012 | | |
|---|---------------|----------------|
| | No. of Shares | (Amount in ₹) |
| Equity Shares | | |
| At the beginning of the period | - | - |
| Issued During the period | 50,000 | 500,000 |
| Outstanding at the end of the period | 50,000 | 500,000 |

b. Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Shares held by holding company

Out of equity shares issued by the company, shares held by its Holding Company are as below:

| (Amount in ₹) | |
|--|------------------|
| Power Grid Corporation of India Limited, the Holding Company | As at 31.03.2012 |
| 50,000/- equity shares of ₹ 10 each fully paid | 500,000 |

d. Details of shareholders holding more than 5% shares in the company as at 31st March, 2012

| | No. of Shares | % holding in the class |
|---|---------------|------------------------|
| Equity Shares of ₹ 10 each fully paid | 50,000 | 100% |
| Power Grid Corporation of India Limited, the Holding Company | 50,000 | 100% |

* Out of 50,000 equity shares, 600 shares are held by nominees of Power Grid Corporation of India limited on its behalf (jointly with Power Grid Corporation of India Limited).

4 RESERVES & SURPLUS

| | (Amount in ₹) |
|--|------------------|
| Description | As at 31.03.2012 |
| Surplus(Deficit) in the statement of Profit and Loss Account | (34,034) |
| TOTAL | (34,034) |

5 OTHER CURRENT LIABILITIES

| | (Amount in ₹) |
|----------------------------|--------------------|
| Description | As at 31.03.2012 |
| CURRENT LIABILITIES | |
| Payable to Power Grid | 194,658,933 |
| Provision For Expenses | - |
| TOTAL | 194,658,933 |

6 SHORT TERM BORROWINGS

| | (Amount in ₹) |
|---|------------------|
| Description | As at 31.03.2012 |
| Loan and Advance from Related Parties repayable on demand (Unsecured) | - |
| TOTAL | - |

The above amount includes
Secured borrowings
Unsecured borrowings

7 CAPITAL WORK IN PROGRESS

| | (Amount in ₹) |
|---|--------------------|
| Description | As at 31.03.2012 |
| Transferred from expenditure During Construction Period (Note-10) | 195,115,077 |
| TOTAL | 195,115,077 |

8 CASH AND CASH EQUIVALENTS

| | As at 31.03.2012 | As at 31.03.2012 |
|--|------------------|------------------|
| Description | Non-Current | Current |
| Balances with banks: | | |
| In current accounts | - | 9,822 |
| Deposits with original maturity of less than three months | - | - |
| Cheques, drafts in hand | - | - |
| Cash in Hand | - | - |
| | | 9,822 |
| Other Bank Balances | | |
| Deposits with original maturity for more than 12 months | - | - |
| Deposits with original maturity for more than 3 months but less than 12 months | - | - |
| Margin money deposit | - | - |
| TOTAL | - | 9,822 |

9 SHORT TERM LOANS AND ADVANCES

| Description | As at 31.03.2012 Non-Current | As at 31.03.2012 Current |
|--|---------------------------------|-----------------------------|
| Security Deposit | | |
| Secured , considered good | - | - |
| Unsecured , considered good | - | - |
| Doubtful | - | - |
| | - | - |
| Loans and advances to related parties | | |
| Unsecured , considered good | - | - |
| Advances recoverable in cash or kind | | |
| Secured , considered good | - | - |
| Unsecured , considered good | - | - |
| | - | - |
| Other loans and advances | | |
| Advance Income Tax (net of provision for taxation) | - | - |
| Tax deducted at source | - | - |
| Income tax and FBT refundable | - | - |
| Cenvat Credit Receivable | - | - |
| Prepaid expenses | - | - |
| Loans to employees | - | - |
| Recoverable from Others Utilities | - | - |
| Advances to Consultants/ Others | - | - |
| | - | - |
| | - | - |
| Total | - | - |

Loans and advances due by directors or other officers, etc.

(Amount in ₹)

| | As at 31.03.2012 Non-Current | As at 31.03.2012 Current |
|--|---------------------------------|-----------------------------|
| Loans to employees include | | |
| Dues from non-executive directors | - | - |
| Dues from officers | - | - |
| Dues from non- executive and officers jointly with other persons | - | - |
| Loans and advances to related parties include | | |
| Dues from partnership firm (name) in which the company's executive director is a partner | - | - |
| Dues from (Name of co.) in which the company's managing director is a member. | - | - |
| Advances recoverable in cash or kind include | | |
| Dues from the partnership firm (name) in which the company's non-executive director is a partner | - | - |

10 EXPENDITURE DURING CONSTRUCTION PERIOD

(Amount in ₹)

| Description | For the year ended 31.03.2012 |
|-------------------------------|----------------------------------|
| (a) Expenses | |
| Manpower Charges | 22,810,751 |
| Audit Fees | 39,326 |
| Certification Charges | 22,472 |
| Consultancy Charges | 165,511,709 |
| Conference Charges | 29,554 |
| Printing & Stationary | 59,233 |
| Advertisement | 2,678,014 |
| Vehicle Hiring | 119,739 |
| Legal & Filing Charges | 600 |
| Bank Charges | 178 |
| Survey & Studies Expenses | 1,628,236 |
| Tour & Travelling | 79,066 |
| Interest on expenses | 1,461,822 |
| Other Administrative Expenses | 674,377 |
| Total | 195,115,077 |

- 11 Consequent to the selection of Successful Bidder (M/s Power Grid Corporation of India Limited) as per Tariff based competitive bidding guidelines for transmission services and guidelines for encouraging competition in development of transmission projects dated 13/04/06 (as amended from time to time) and as per issued bidding documents, the company was transferred to M/s Power Grid Corporation of India Limited (Successful Bidder) vide Share purchase Agreement dated 29th March 2012 by the PFCL (transferor). After transfer, the company ceases to be a subsidiary of PFCL and became a subsidiary of Power Grid Corporation of India Ltd.

12 The details of Key Management Personnel are as follows:

| S. No. | Name | Designation | Date of Appointment | Date of Resignation |
|--------|---------------------|-----------------------------------|---------------------|---------------------|
| 1 | Shri I S Jha | Director and Chairman (Part-time) | 29.03.2012 | Continuing |
| 2 | Shri R T Agarwal | Director | 29.03.2012 | Continuing |
| 3 | Shri Bharat Bhushan | Director | 29.03.2012 | Continuing |
| 4 | Shri Sanjay Rai | Director | 20.05.2011 | Continuing |

- 13 Employees working for the Company were from erstwhile holding company i.e. PFC Consulting Ltd. (PFCL). The manpower charges ₹ 22,810,751/- of PFCL employee are charged by PFCL on the basis of cost to company based on actual time utilised by the employees for the Company as per invoice raised by PFCL. The man power charges includes ₹ 18,53,673/- of Sh. R. Rahman (Ex-Chairman of NMTC and an employee of erstwhile holding co.), ₹ 8,073/- of Sh. Manoj Rana, (Ex-Director of NMTC and an employee of erstwhile holding co), ₹ 33,32,325/- of Sh. Sanjay Rai (Director of NMTC and an employee of erstwhile holding co).
- 14 The related expenses are paid by the erstwhile Holding Company (PFCL) and charged to the Company. Original Supporting bills in respect of expenditure incurred by the erstwhile Holding company are retained by them of which copies are available with the Company. The erstwhile holding company will comply statutory provisions relating to the 'Deduction of tax at source' etc. as applicable to these expenses.
- 15 The shares of the company have been transferred by the PFC Consulting Limited to the successful bidder of the project i.e. M/s Power Grid Corporation of India Limited on 29th March 2012 (as per note no. 11 above). The amount of consideration paid by the

successful bidder as acquisition price for purchase of 100% equity shareholding of the company and for taking over all assets and liabilities of the company are at par at book value.

- 16** Expenditure incurred for taking over the Company is financed by the Holding Company (Power Grid Corporation of India Ltd.) and considered as current liabilities as at 31.03.2012. Prior to taking over of the Company by Power Grid Corp., the project was financed by the erstwhile holding company (PFCL) and the same was shown as short term borrowings and interest was charged on funds deployed by erstwhile Holding Company (PFCL) in balance sheet prepared upto 29.03.2012.
- 17** i) Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ Nil.
ii) Contingent liabilities of the company and claims against the company not acknowledged by the company as certified by the management for the period is ₹ Nil.

18 Auditors Remuneration (including Service Tax)

| | | (Amount in ₹) |
|--------|----------------------|---------------|
| S. No. | Particulars | 2011-12 |
| 1 | Statutory Audit Fees | 35,000 |
| 2 | Certification Fees | 20,000 |
| 3 | Service Tax | 6,798 |
| | Total | 61,798 |

- 19** The Company has complied with all the applicable Accounting Standards notified under section 211 of the Companies Act 1956. However AS -22 relating to Deferred Tax Liability /Asset pertaining to timing difference is not applicable to the company in view of the fact that the company is still in the construction phase and yet to commence its operation.

20 The disclosure as per AS 18 – Related Party Disclosure :

The Nagapattinam Madhugiri Transmission Company Limited is a wholly owned subsidiary of Power Grid Corporation of India Ltd. All key decisions are taken by the Board of Nagapattinam Madhugiri Transmission Company Limited where the Power Grid nominees exercise control.

Details of Related parties and nature of relationship

| S. No. | Nature of Relationship | Name of the Related Party |
|--------|---|---|
| 1 | Power Finance Corporation Limited (PFC) | Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 2 | PFC Consulting Limited (PFCL) | Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 3 | Power Grid Corporation of India Limited | Holding Company (after share purchase agreement dated 29.03.2012) |
| 4 | DGEN & Uttarakhand Transmission Company Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 5 | Chhatisgarh Surguja Power Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 6 | Orissa Integrated Power Company Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 7 | Coastal Karnataka Power Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 8 | Coastal Maharashtra Mega Power Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 9 | Ghogarpalli Integrated Power Company Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 10 | Coastal Tamil Nadu Power Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 11 | Sakhigopal Integrated Power Company Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |

| S. No. | Nature of Relationship | Name of the Related Party |
|--------|---|---|
| 12 | Tatiya Andhra Mega Power Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 13 | PFC Green Energy limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 14 | PFC Capital Advisory Services Limited | Subsidiary of Ultimate Holding Company (Prior to share purchase agreement dated 29.03.2012) |
| 15 | Power System Operation Corporation Limited (POSOCO) | Subsidiary of Holding Company (Power Grid) |
| 16 | Powerlinks Transmission Limited | Joint Venture of Holding Company (Power Grid) |
| 17 | Torrent Power Grid Limited | Joint Venture of Holding Company (Power Grid) |
| 18 | Jaypee Powergrid Limited | Joint Venture of Holding Company (Power Grid) |
| 19 | Parbati Koldam Transmission Company Limited | Joint Venture of Holding Company (Power Grid) |
| 20 | Teestavalley Power Transmission Limited | Joint Venture of Holding Company (Power Grid) |
| 21 | North East Transmission Company Limited | Joint Venture of Holding Company (Power Grid) |
| 22 | National High Power Test Laboratory Private Limited | Joint Venture of Holding Company (Power Grid) |
| 23 | Energy efficiency Services Limited | Joint Venture of Holding Company (Power Grid) |

Details of Related party transactions

| S.No. | Particulars | 2011-12 | | |
|-------|--|---------|-------------|-------------|
| | | PFC | PFCCL | POWERGRID |
| 1 | Equity Contribution | - | - | 500,000 |
| 2 | Manpower Charges | - | 22,810,751 | - |
| 3 | Interest Expenses | - | 1,461,822 | - |
| 4 | Professional Fees | - | 165,450,000 | - |
| 5 | Closing Balances: - | - | | |
| | (a) Payable to Power Grid Corporation of India Limited | - | | 194,658,933 |

- 21 The Company owes no dues to small-scale units for the period ended and hence provision of interest does not arise. Further based on information available with the management, there are no dues payable to enterprises covered under "Micro, Small and Medium Enterprises Development Act, 2006".
- 22 The Company has paid a sum of ₹ 15,00,00,000/- (₹ Fifteen Crores) plus Service Tax as applicable to PFCCL on account of fees for providing advisory & professional services (Transfer Fees) rendered by PFCCL.
- 23 Since there are no employees in the company, the obligation as per Accounting Standard-15 (Revised) do not arises.

24 Earning Per Share

In terms of Accounting Standard 20 on "Earnings per Share" notified under the Companies Act 1956, Earning per share (Basic & Diluted) is worked out as follows: -

| S. No. | Particulars | 2011-12 |
|--------|-------------------------------|----------|
| 1 | Nominal Value of share (₹) | 10 |
| 2 | Number of Equity shares (No.) | 50,000 |
| 3 | Net Profit after tax (₹) | (34,034) |
| 4 | Earning per share (₹) | (0.68) |

- 25 Most of the additional information pursuant to the provisions of Paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956 are not applicable to the company as the project is still at its development stage and the company has yet to start its commercial activities. Applicable information is provided as under:

- (a) Expenditure in foreign currency – Nil
(b) Income in foreign exchange – Nil
- 26 Figures have been rounded off to the nearest Rupee unless otherwise stated.
- 27 Since this is the first accounting year of the company, the accounts have been prepared for the period 20/05/2011 to 31/03/2012. Hence, previous year figures are not available.

For & on Behalf of Board of Directors

(R. T. Agarwal)

Director

(I.S. Jha)

Director and Chairman (Part-time)

SIGNED IN TERMS OF OUR REPORT OF EVEN DATE

For & on Behalf of

Rakhecha and Co.

CHARTERED ACCOUNTANTS

Firm Reg. No:02990N

S.K. Rakhecha

(Partner)

M. No.081201

Place : New Delhi

Date : 25th May, 2012

AUDITORS' REPORT

TO

THE MEMBERS OF NAGAPATTINAM MADHUGIRI TRANSMISSION COMPANY LIMITED

1. We have audited the attached Balance Sheet of **NAGAPATTINAM MADHUGIRI TRANSMISSION COMPANY LIMITED** as at 31st March 2012, Statement of Profit & Loss and the Cash Flow Statement for the period from 20th May 2011 to 31st March 2012, 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 the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from any material misstatement. 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 presentation of the financial statements. 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 the companies (Auditor's Report) (Amendment) order, 2004 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in the paragraphs 4 of said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above we report that:
 1. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 2. In our opinion, proper books of accounts as required by law have been kept by the company, so far as appears from our examination of the books. ***Since some of the payments on behalf of the Company have been made by the erstwhile Holding Company i.e. PFC Consulting Ltd., the original supports relating to these expenditures etc. are kept with the erstwhile Holding Company.***
 3. The Balance Sheet, Statement of Profit & Loss and Cash flow statement dealt with by this report are in agreement with the books of account.
 4. In our opinion- the Balance Sheet, Statement of Profit & Loss and Cash flow statement dealt with this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the companies act, 1956.
5. In pursuance to the notification No. GSR 829(E) dated 21.10.2003 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.
6. 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 and Accounting Policies annexed thereto, give the information required by the Companies Act, 1956 In the manner so required & give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In case of the Balance Sheet of the state of affairs of the Company as at 31st March 2012,
 - (ii) In case of the Statement of Profit & Loss, of loss for the period from 20th May 2011 to 31st March 2012, and
 - (iii) In case of Cash Flow Statement ,of the Cash Flows of the company for the period from 20th May 2011 to 31st March 2012.

For and on behalf of RAKHECHA & CO.
Chartered Accountants
(Firm Registration No.G2990N)

S.K. Rakhecha
(Partner)

Membership No: 081201

Place: New Delhi
Dated: 25th May, 2012

ANNEXURE TO AUDITORS' REPORT OF NAGAPATTINAM MADHUGIRI TRANSMISSION COMPANY LIMITED (REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE)

- I. (a) In our opinion and according to information and explanation given to us, provision of para 4(i) (a) of the Companies (Auditors Report) Order, 2003 relating to maintaining proper records showing full particulars, including quantitative details and situation of fixed assets are not applicable to company as it does not have fixed assets.
- (b) In our opinion and according to information and explanation given to us provision of para 4(i) (b) of the companies (Auditors Report) Order, 2003 relating to physical verification of fixed assets by the management is not applicable to Company as it does not have fixed assets.
- (c) in our opinion and according to information and explanation given to us provision of para 4(i) (c) of the companies (Auditors Report) Order, 2003 relating to disposal of any substantial part of fixed assets during the year are not applicable to Company as it does not have fixed assets.
2. As the company has not purchased/ sold goods during the year nor are there any stocks. Accordingly clauses 4(ii) (a), (b) and (c) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company,
3. As explained to us, .the Company has not taken nor granted any loans, secured or unsecured from Companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
4. In our opinion according to the information and explanation given to us, the company does not have fixed assets and inventories and has no commercial activities during the year, the provision of para 4(iv) of the companies (Auditors Report) Order 2003 relating to adequate internal control procedure commensurate with the size of company and nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services are not applicable to company.
5. According to the information and explanation given to us, there are no transactions made in pursuance of the contracts or arrangements that need to be entered in the register maintained under section-301 of the Companies Act, 1956.
6. According to the information and explanation given to us, the company has not accepted any deposits from public.
7. The company does not have paid up capital and reserves of ₹ 50 lakhs as at the commencement of the financial year concerned, or have a average annual turnover exceeding five crore rupees for a year of three consecutive financial years immediately preceding the financial year concerned, the provision of para 4 (vii) of the Companies (Auditor Report) Order, 2003 are not applicable to company.
8. The company does not have any business activities during the year, the provision of para 4 (viii) of the Companies (Auditor Report) order, 2003 relating to maintaining of cost records under section 209 (I) (d) of the companies act is not applicable to the company.
9. (a) According to information and explanation given to us, the company is regular in depositing undisputed statutory dues including Provident Fund, Investors Education and Protection Fund Employees State Insurance, Income Tax, Wealth Tax, and other statutory dues with the appropriate Authorities through holding company i.e. PFC Consulting Ltd. According to information and explanation given to us. there are no undisputed statutory dues outstanding as at 31st March, 2012 for a period of more than six months from the date they become payable.
- (b) According to information and explanation given to us, there are no dues of Income Tax, Wealth Tax, which have not been deposited on account of any dispute.
10. In our opinion the Company has accumulated losses at the end of the current financial year. And it has incurred cash losses in the current financial year.
11. According to the records made available to us and information and explanations given by the management, the company has not taken any loan, from any financial institution or bank or debenture holder, hence clause (xi) of paragraph 4 of the Order is not applicable to the Company.
12. In our opinion and according to information and explanation given to us, provision of para 4 (xii) of the Companies (Auditors Report) Order, 2003 are not applicable to Company as it has not given any loans and advance on security of shares. Debentures and other securities.

13. In our opinion and according to information and explanation given to us, the Company is not a Chit Fund, Nidhi or Mutual benefit, Trust/Society. Accordingly, the provision of para 4(xiii) of the companies (Auditor Report) Order, 2003 is not applicable to company.
14. According to information and explanation given to us, the Company is not dealing or trading in shares, Securities, debenture and other investment and hence the requirement of para 4(xiv) of the Companies (Auditor Report) Order, 2003 is not applicable to Company.
15. According to information and explanation given to us, the Company has not given any guarantee in respect of loan taken by others from banks and financial institutions.
16. In our opinion and according to information and explanation given to us the Company has not obtained any term loan and hence the requirement of para 4 (xvi) of the Companies (Auditors Report) Order, 2003 are not applicable to Company.
17. According to information and explanation given to us and on an overall examination of the Balance sheet and Cash Flow statement of the Company, we report that no funds raised on short-term basis have been utilized for long term investment purpose.
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 Companies Act 1956.
19. According to information and explanation given to us the company does not have any debentures and hence the requirement of para 4(xix) of the Companies (Auditors Report) order, 2003 are not applicable to Company.
20. According to information and explanation given to us the company has not raised any money from public issues during the year.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the period under audit.

For and on behalf of RAKHECHA & CO.
Chartered Accountants
(Firm Registration No.02990N)

Place: New Delhi
Dated: 25th May, 2012

S.K. Rakhecha
(Partner)
Membership No: 081201

CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements are prepared on accrual basis of accounting under the historical cost convention and in accordance with generally accepted accounting principles in India and the relevant provisions of the Companies Act, 1956 including Accounting Standards notified there under.

1.2 USE OF ESTIMATES

The preparation of financial statements requires estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses during the reporting period. Although, such estimates and assumptions are made on a reasonable and prudent basis taking into account all available information, actual results could differ from these estimates and assumptions and such differences are recognized in the period in which the results are crystallized.

1.3 RESERVES AND SURPLUS

Self insurance reserve is created @ 0.1% p.a. on Gross Block of Fixed Assets (except assets covered under mega insurance policy) 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'.

1.4 GRANTS-IN-AID

1.4.1 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.

1.4.2 On capitalization of related assets, grants received for specific depreciable assets are treated as deferred income and recognized in the Statement of Profit and Loss over the useful life of related asset and in proportion to which depreciation on these assets is provided.

1.5 FIXED ASSETS

1.5.1 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.

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

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

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

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

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

1.5.7 Insurance spares, which can be used only in connection with an item of fixed asset and whose use is expected to be at irregular intervals are capitalized and depreciated over the residual useful life of the related plant & machinery. In case the year of purchase and consumption is same, amount of insurance spares are charged to revenue.

1.5.8 Mandatory spares in the nature of sub-station equipments /capital spares i.e. stand-by/service/rotational equipment and unit assemblies either procured along with the equipments or subsequently, are capitalized and depreciation is charged in accordance with the relevant accounting standard. In case the year of purchase & consumption is same, amount of mandatory spares are charged to revenue.

1.6 CAPITAL WORK IN PROGRESS (CWIP)

- 1.6.1 Cost of material consumed, erection charges thereon along with other related expenses incurred for the projects are shown as CWIP till the date of capitalization.
- 1.6.2 Expenditure of Corporate office, Regional Offices and Projects, attributable to construction of fixed assets are identified and allocated on a systematic basis to the cost of the related assets.
- 1.6.3 Interest during construction and expenditure (net) allocated to construction as per policy No. 1.6.2 above (allocated to the projects on prorated basis to their capital expenditure), are apportioned to capital work in progress (CWIP) on the closing balance of Specific asset or part of asset being capitalized. Balance, if any, left after such capitalization is kept as a separate item under the CWIP Schedule .
- 1.6.4 Deposit works/cost-plus contracts are accounted for on the basis of statement received from the contractors or technical assessment of work completed.
- 1.6.5 Unsettled liability for price variation/ exchange rate variation in case of contracts are accounted for on estimated basis as per terms of the contracts.

1.7 INTANGIBLE ASSETS

- 1.7.1 The cost of software (which is not an integral part of the related hardware) acquired for internal use and resulting in significant future economic benefits, is recognized as an intangible assets in the books of accounts when the same is ready for its use.
- 1.7.2 Afforestation charges paid for acquiring right-of-way of laying transmission lines are accounted for as intangible assets and same are amortized following the rates and methodology notified by Central Electricity Regulatory Commission (CERC) Tariff Regulation.

1.8 CONSTRUCTION STORES

Construction stores are valued at cost.

1.9 BORROWING COST

- 1.9.1 All the borrowed funds (except short term funds for working capital) are earmarked to specific projects. The borrowing costs (including bond issue expenses, interest, front end fee, guarantee fee, management fee etc.) are allocated to the projects in proportion to the funds so earmarked.
- 1.9.2 The borrowing costs so allocated are capitalised or charged to revenue, based on whether the project is under construction or in operation.
- 1.9.3 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 treated as borrowing cost.

1.10 TRANSACTION IN FOREIGN CURRENCY

- 1.10.1 Transactions in foreign currencies are initially recorded at the exchange rate prevailing on the date of transaction. Foreign currency monetary items are translated with reference to the rates of exchange ruling on the date of the Balance Sheet. Non-monetary items denominated in foreign currency are reported at the exchange rate ruling on the date of transaction.
- 1.10.2 FERV (except the amount considered as 'borrowing cost' under para 1.9.3 above) arising on settlement / translation of foreign currency loans is adjusted to carrying cost of capital work-in-progress/fixed assets in case of capital assets irrespective of whether the project is under construction or operation.
- 1.10.3 FERV accounted for as per policy no 1.9.3 & 1.10.2 is recoverable/payable from the beneficiaries on actual payment basis as per Central Electricity Regulatory Commission (CERC) norms w.e.f 1st April, 2004 or Date of Commercial Operation (DOC0) which ever is later.

The 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 the Statement of Profit and Loss in the same proportion in which FERV is apportioned between carrying cost of fixed assets and Statement of Profit & Loss.
 - 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 Statement of 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 'Statement of Profit & Loss'
 - 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 debit/credit to the debtors.
- 1.10.4 a) FERV charged to Statement of Profit & Loss upto 31.03.2011 & included in the capital cost for the purpose of tariff is accounted for as 'Deferred foreign currency fluctuation asset/liability a/c'.
- b) Transmission charges on such amount is adjusted against 'Deferred foreign currency fluctuation asset/liability a/c' in the following manner:
- i) Depreciation component of transmission charges (being 90% of such FERV) is adjusted against Deferred foreign currency fluctuation asset/liability a/c.
 - ii) Balance 10% is adjusted against the transmission charges over the tenure of respective loan.
- 1.10.5 FERV arising out of settlement/translation of long term monetary items (other than foreign currency loans) relating to fixed assets/CWIP are adjusted in the carrying cost of related assets.
- 1.10.6 FERV arising during the construction period from settlement/translation of monetary items denominated in foreign currency (other than long term) to the extent recoverable/payable to the beneficiaries as capital cost as per CERC tariff Regulation are accounted as 'Deferred foreign currency fluctuation asset/liability a/c'. Transmission charges on such amount is adjusted against above account.
- 1.10.7 Other exchange differences are recognized as income or expenses in the period in which they arise.

1.11 INVESTMENTS

- 1.11.1 Current investments are valued at lower of cost and fair value determined on an individual investment basis.
- 1.11.2 Long term investments are carried at cost. Provision is made for diminution other than temporary, in the value of such investments.

1.12 INVENTORIES

- 1.12.1 Inventories are valued at lower of the cost, determined on weighted average basis, and net realizable value.
- 1.12.2 Steel scrap and conductor scrap are valued at estimated realizable value or book value, whichever is less.
- 1.12.3 Mandatory spares of consumable nature and transmission line items are treated as inventory after commissioning of the system.
- 1.12.4 Surplus materials as determined by the management are held for intended use and are included in the inventory.
- 1.12.5 The diminution in the value of obsolete, unserviceable and surplus stores and spares is ascertained on review and provided for.

1.13 DEFERRED REVENUE EXPENDITURE

Deferred revenue expenditure incurred 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.

1.14 REVENUE RECOGNITION

1.14.1 Transmission Income is accounted for based on tariff orders notified by CERC. In case of transmission projects where final tariff orders are yet to be notified, transmission income is accounted for as per tariff norms and other amendments notified by CERC in similar cases. Difference, if any, is adjusted based on issuance of final notification of tariff orders by CERC. Transmission Income in respect of additional capital expenditure incurred after the date of commercial operation is accounted based on actual expenditure incurred on year to year basis as per tariff norms of CERC.

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

1.14.3 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.

1.14.4 ADVANCE AGAINST DEPRECIATION

1.14.4.1 Advance against depreciation (AAD), forming part of tariff pertaining upto the block period 2004-09, to facilitate repayment of loans, is reduced from transmission income and considered as deferred income to be included in transmission income in subsequent years.

1.14.4.2 The outstanding deferred income in respect of AAD is recognized as transmission income, after 12 years from the end of the financial year in which the asset was commissioned, to the extent depreciation recovered in the tariff during the year is lower than depreciation charged.

1.14.5 Surcharge recoverable from trade receivables and liquidated damages / warranty claims / interest on advances to suppliers are recognized when no significant uncertainty as to measurability and collectability exists.

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

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

1.14.8 In respect of 'Cost-plus-consultancy contracts', involving execution on behalf of the client, income is accounted for (wherever initial advances 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 85% on the basis of actual progress of work including supplies

1.14.9 Application Fees received on account of Long Term Open Access (LTOA) Charges is accounted for as and when received in accordance with CERC Guidelines.

1.14.10 Scrap other than steel scrap & conductor scrap are accounted for as and when sold.

1.14.11 Dividend income is recognized when right to receive payment is established.

1.15 LEASED ASSETS – UNIFIED LOAD DESPATCH CENTRE (ULDC)

1.15.1 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 for as Lease Receivables under long term loans & advances. Wherever grant in-aid is received for construction of State Sector ULDC, lease receivable is accounted for net of such grant.

1.15.2 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.

- 1.15.3 FERV on foreign currency loans relating to leased assets is adjusted to the amount of lease receivables and is amortised over the remaining tenure of lease. FERV recovery (as per CERC norms) from the constituents is recognised net of such amortised amount.

1.16 DEPRECIATION / AMORTIZATION

- 1.16.1 Depreciation / amortization is provided on straight line method following the rates and methodology notified by CERC for the purpose of recovery of tariff except for the following assets in respect of which depreciation / amortization is provided at the rates mentioned below:

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

- 1.16.2 ULDC assets other than assets transferred to Power System Operation Corporation Limited are depreciated on Straight Line Method @ 6.67% per annum as determined by CERC for levellized tariff.
- 1.16.3 Depreciation on assets of telecom and consultancy business, is provided for on straight line method as per rates specified in Schedule XIV of the Companies Act, 1956.
- 1.16.4 Depreciation on additions to/deductions from fixed assets during the year is charged on pro-rata basis.
- 1.16.5 Where the cost of depreciable asset has undergone a change due to increase/decrease in long term monetary items 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, except for telecom assets where residual life is determined on the basis of rates of depreciation as specified in Schedule XIV of the Companies Act, 1956.
- 1.16.6 Plant and machinery, loose tools and items of scientific appliances, included under different heads of assets, costing ₹ 5000/- or less, or where the written down value is ₹ 5000/- or less as at the beginning of the year, are charged off to revenue.
- 1.16.7 Other fixed assets costing upto ₹ 5,000/- are fully depreciated in the year of acquisition.
- 1.16.8 Leasehold Land, other than acquired on perpetual lease, is fully amortized over the tenure of the lease or 25 years whichever is lower in accordance with the rates and methodology specified in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009.
- 1.16.9 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.

1.17 EXPENDITURE

- 1.17.1 Pre-paid/prior-period expenses/Income up to ₹ 100000/- are accounted for to natural heads of account.
- 1.17.2 Expenditure of research and development, other than Capital Expenditure, are charged to revenue in the year of incurrence.
- 1.17.3 Capital expenditure on assets not owned by the company is charged off to revenue as and when incurred.

1.18 IMPAIRMENT OF ASSETS

Cash generating units as defined in Accounting Standard -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.

1.19 EMPLOYEE BENEFITS

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

- 1.19.2 The liabilities for compensated absences, leave encashment, post retirement medical benefits, Settlement Allowance & farewell gift to employees are ascertained annually on actuarial valuation at the year end and provided for.
- 1.19.3 Actuarial gains/losses are recognized immediately in this Statement of Profit & Loss.

1.20 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.

1.21 INCOME TAX

Income Tax comprises of current and deferred tax. Current income taxes are measured at the amount expected to be paid to the income tax authorities in accordance with Income Tax Act, 1961. Deferred tax resulting from timing difference between accounting and taxable profit is accounted for using the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

Consolidated Balance Sheet as at 31st March 2012

(₹ in Crore)

| Description | Note No. | As at 31st March, 2012 | As at 31st March, 2011 |
|---|----------|---------------------------|---------------------------|
| I.EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| (a) Share capital | 2.1 | 4629.73 | 4629.73 |
| (b) Reserves and surplus | 2.2 | 18953.48 | 16787.86 |
| | | 23583.21 | 21417.59 |
| Non-current liabilities | | | |
| (a) Long-term borrowings | 2.3 | 50005.73 | 37904.65 |
| (b) Deferred tax liabilities (Net) | 2.4 | 1594.56 | 1144.14 |
| (c) Deferred revenue | 2.5 | 2332.75 | 2397.76 |
| (d) Deferred Income/(Expenditure) From Foreign Currency Fluctuation(Net) | | 493.17 | -11.59 |
| (e) Other Long Term Liabilities | 2.6 | 1462.25 | 2846.39 |
| (f) Long-term provisions | 2.7 | 448.95 | 340.82 |
| | | 56337.41 | 44622.17 |
| Current liabilities | | | |
| (a) Short-term borrowings | 2.8 | 1658.28 | 1450.00 |
| (b) Trade payables | 2.9 | 237.17 | 232.49 |
| (c) Other current liabilities | 2.10 | 9169.87 | 7326.71 |
| (d) Short-term provisions | 2.11 | 3154.05 | 2613.24 |
| | | 14219.37 | 11622.44 |
| Total | | 94139.99 | 77662.20 |
| II.ASSETS | | | |
| Non-current assets | | | |
| (a) Fixed assets | | | |
| (i) Tangible assets | 2.12 | 47997.70 | 37678.12 |
| (ii) Intangible assets | 2.13 | 324.11 | 253.89 |
| (iii) Capital work in progress | 2.14 | 16248.75 | 13326.53 |
| (iv) Intangible assets under development | 2.15 | 93.08 | 107.50 |
| | | 64663.64 | 51366.04 |
| (b) Construction stores | 2.16 | | 10749.31 |
| (c) Non-current investments | 2.17 | 573.86 | 757.12 |
| (d) Deferred foreign currency fluctuation asset | | 1316.67 | 328.97 |
| (e) Long-term loans and advances | 2.18 | 5644.53 | 3534.76 |
| | | 7535.06 | 4620.85 |
| Current assets | | | |
| (a) Current investments | 2.19 | 199.84 | 194.54 |
| (b) Inventories | 2.20 | 441.25 | 382.35 |
| (c) Trade receivables | 2.21 | 2347.07 | 1201.04 |
| (d) Cash and Bank balances | 2.22 | 3111.34 | 4805.87 |
| (e) Short-term loans and advances | 2.23 | 2532.96 | 2076.69 |
| (f) Other current assets | 2.24 | 672.06 | 2265.52 |
| | | 9304.52 | 10926.01 |
| Total | | 94139.99 | 77662.20 |
| Accounting Policies | 1 | | |
| Notes on Accounts | 2 | | |

Notes referred above are integral part of the Balance Sheet

For and on behalf of the Board of Directors

(Divya Tandon)
Company Secretary

(R.T Agarwal)
Director (Finance)

(R. N. Nayak)
Chairman & Managing Director

For S.K. Mehta & Co.
Chartered Accountants
Firm Regn No. 000478 N

As per our report of even date
For Chatterjee & Co.
Chartered Accountants
Firm Regn No. 302114 E

For Sagar & Associates
Chartered Accountants
Firm Regn No. 003510 S

(S.K.Mehta)
Partner
Membership No. 010870

(S.K.Chatterjee)
Partner
Membership No. 003124

(V.Vidyasagar Babu)
Partner
Membership No. 027357

Place: New Delhi
Date: 29th May, 2012

Consolidated Statement of Profit and Loss for the year ended 31st March, 2012

(₹ in Crore)

| Description | Note No. | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
|---|----------|--|--|
| I. Revenue from operations | 2.25 | 10311.52 | 8611.76 |
| II. Other income | 2.26 | 762.06 | 660.78 |
| III. Total Revenue (I + II) | | 11073.58 | 9272.54 |
| IV. Expenses: | | | |
| Employee benefits expense | 2.27 | 921.41 | 785.68 |
| Finance costs | 2.28 | 1985.75 | 1665.76 |
| Depreciation and amortization expense | 2.29 | 2637.39 | 2272.92 |
| Transmission, Administration and other Expenses | 2.30 | 826.46 | 714.52 |
| Total expenses | | 6371.01 | 5438.88 |
| V. Profit before Prior period items and tax (III - IV) | | 4702.57 | 3833.66 |
| VI. Prior period items (Net) | 2.31 | 12.91 | 4.37 |
| VII. Profit before tax (V - VI) | | 4689.66 | 3829.29 |
| VIII. Tax expense: | | | |
| (1) Current tax- Current Year | 938.81 | | 712.23 |
| - Earlier years | -2.56 | | 4.59 |
| | | 936.25 | 716.82 |
| (2) Deferred tax | | 450.42 | 440.56 |
| | | 1386.67 | 1157.38 |
| IX. Profit for the year (VII-VIII) | | 3302.99 | 2671.91 |
| X. Earnings per equity share: | 2.50 | | |
| (1) Basic | | 7.14 | 6.13 |
| (2) Diluted | | 7.14 | 6.13 |
| Accounting Policies | 1 | | |
| Notes on Accounts | 2 | | |

Notes referred above are integral part of the Statement of Profit and Loss

For and on behalf of the Board of Directors

(Divya Tandon)
Company Secretary

(R.T Agarwal)
Director (Finance)

(R. N. Nayak)
Chairman & Managing Director

For S.K. Mehta & Co.
Chartered Accountants
Firm Regn No. 000478 N

As per our report of even date
For Chatterjee & Co.
Chartered Accountants
Firm Regn No. 302114 E

For Sagar & Associates
Chartered Accountants
Firm Regn No. 003510 S

(S.K. Mehta)
Partner
Membership No. 010870

(S.K. Chatterjee)
Partner
Membership No. 003124

(V. Vidyasagar Babu)
Partner
Membership No. 027357

Place: New Delhi
Date: 29th May, 2012

Consolidated Cash Flow Statement for the year ended 31st March, 2012

(₹ in Crore)

| Particulars | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
|---|--|--|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit Before Tax | 4689.66 | 3829.29 |
| Adjustment for : | | |
| Depreciation (including prior period) | 2671.98 | 2272.81 |
| Transfer from Grants in Aid | (32.29) | (30.57) |
| Deferred revenue - Advance against Depreciation | (32.72) | (37.56) |
| Amortised Expenditure(DRE written off) | 2.41 | 1.86 |
| Provisions | 2.30 | (10.56) |
| Transfer from Self Insurance Reserve | (0.81) | (2.21) |
| Net Loss on Disposal / Write off of Fixed Assets | 1.39 | 7.55 |
| Interest and Finance Charges | 1901.32 | 1782.46 |
| Provisions Written Back | (40.93) | (40.24) |
| FERV loss / (gain) | 84.43 | (4.40) |
| Interest earned on term deposits, bonds and loans to State Govts. | (81.76) | (104.97) |
| Stamp Duty & Filing Fee | - | 0.17 |
| Rebate on Transmission Charges | - | 3.02 |
| Dividend Received | (1.81) | - |
| Income from sale of short term investments | - | (2.85) |
| Operating profit before Working Capital Changes | 9163.17 | 7663.80 |
| Adjustment for : | | |
| (Increase)/Decrease in Inventories | (58.90) | (37.38) |
| (Increase)/Decrease in Trade Receivables | (1146.04) | (1003.56) |
| (Increase)/Decrease in Loans and Advances | 583.55 | 1119.98 |
| (Increase)/Decrease in Other current assets | 1583.26 | (35.88) |
| Increase/(Decrease) in Liabilities and Provisions | (601.63) | (2334.71) |
| Increase/(Decrease) in Deferred Income/Expenditure from Foreign Currency Fluctuation(Net) | 482.21 | 44.78 |
| (Increase)/Decrease in Deferred Foreign Currency Fluctuation Asset/Liability(Net) | (377.27) | 3.28 |
| Deferred Revenue Expenditure | - | (0.71) |
| | 465.18 | (2244.20) |
| Direct taxes paid | (1046.36) | (524.18) |
| Net Cash from operating activities | 8581.99 | 4895.42 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Fixed assets (including incidental expenditure during construction) | (662.36) | (399.95) |
| Capital work in progress | (14176.02) | (9942.48) |
| Construction Stores and Advances for capital expenditure | (4169.16) | (3480.37) |
| (Increase)/Decrease in Investments | 177.96 | 211.17 |
| (Increase)/Decrease in Long Term Loans under Securitisation Scheme | 15.42 | 23.14 |
| Lease receivables | 183.26 | 66.27 |
| Interest earned on term deposits, bonds and loans to State Govts. | 89.55 | 103.04 |
| Dividend from JV Companies (Adj. through Surplus Account) | 44.72 | 74.79 |
| Dividend received | 1.81 | - |
| Net cash used in investing activities | (18494.82) | (13344.39) |

Consolidated Cash Flow Statement for the year ended 31st March, 2012 (contd...)

| Particulars | (₹ in Crore) | |
|---|--|--|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of Shares - Capital | - | 420.89 |
| Proceeds from issue of Shares - Premium | - | 3300.29 |
| Share Issue Expenses | - | (8.45) |
| Loans raised during the year | 14680.43 | 9659.40 |
| Loans repaid during the year | (3760.46) | (3085.61) |
| Interest and Finance Charges Paid | (1543.82) | (1497.51) |
| Dividend paid | (996.89) | (727.18) |
| Dividend Tax paid | (160.96) | (113.77) |
| Net Cash from Financing Activities | 8218.30 | 7948.06 |
| D. Net change in Cash and Cash equivalents(A+B+C) | (1694.53) | (500.91) |
| E. Cash and Cash equivalents(Opening balance) | 4805.87 | 5306.78 |
| F. Cash and Cash equivalents(Closing balance) | 3111.34 | 4805.87 |

Notes:

Cash and cash equivalents consists of Cash in hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise of following balance sheet amounts as per Note 2.22.

| | | |
|--|----------------|----------------|
| Cash and cash equivalents | 2154.16 | 1921.23 |
| Other Bank balances (*) | 957.18 | 2884.64 |
| | 3111.34 | 4805.87 |
| (*) Breakup of Other Bank Balances | | |
| 1. Balance in designated current accounts | 8.64 | 6.25 |
| 2. In Current accounts / Flexi Deposits (Operated and maintained in terms of CERC regulations) | 416.59 | 727.90 |
| 3. In term deposits having maturity over 3 months (FPO proceeds) | 500.00 | 2121.17 |
| 4. In term deposits having maturity over 3 months | 31.95 | 29.32 |
| | 957.18 | 2884.64 |

Previous year figures have been re-grouped / re-arranged wherever necessary.

For and on behalf of the Board of Directors

(Divya Tandon)
Company Secretary

(R.T Agarwal)
Director (Finance)

(R. N. Nayak)
Chairman & Managing Director

For S.K. Mehta & Co.
Chartered Accountants
Firm Regn No. 000478 N

As per our report of even date
For Chatterjee & Co.
Chartered Accountants
Firm Regn No. 302114 E

For Sagar & Associates
Chartered Accountants
Firm Regn No. 003510 S

(S.K.Mehta)
Partner
Membership No. 010870

(S.K.Chatterjee)
Partner
Membership No. 003124

(V.Vidyasagar Babu)
Partner
Membership No. 027357

Place: New Delhi
Date: 29th May, 2012

Note 2.1 - Share capital

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| Equity Share Capital | | |
| Authorised Capital | | |
| 10,00,00,00,000 equity shares of ₹ 10/- each | 10000.00 | 10000.00 |
| Issued, Subscribed and paid up | | |
| 4,62,97,25,353 (Previous Year 4,62,97,25,353) equity shares of ₹ 10/-each fully paid up | 4629.73 | 4629.73 |
| Total | 4629.73 | 4629.73 |

Further Notes:

- 1) Reconciliation of Number and amount of share capital outstanding at the beginning and at the end of the reporting period

| Particulars | For the Year Ended 31st March, 2012 | | For the Year Ended 31st March, 2011 | |
|---|-------------------------------------|----------------------|-------------------------------------|----------------------|
| | No. of Shares | Amount (₹ in crores) | No. of Shares | Amount (₹ in crores) |
| Shares outstanding at the beginning of the year | 4629725353 | 4629.73 | 4208841230 | 4208.84 |
| Shares Issued during the year | Nil | - | 420884123 | 420.89 |
| Shares bought back during the year | Nil | - | Nil | - |
| Shares outstanding at the end of the year | 4629725353 | 4629.73 | 4629725353 | 4629.73 |

- 2) The holders of equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.
- 3) The Government of India holds 3,21,40,24,212 (Previous Year 3,21,40,24,212) equity shares representing 69.42% (Previous year 69.42%) of the total equity shares of the Company and no other share holder of the Company holds more than 5% of the equity shares in the current year and in the preceeding year.

Note 2.2 - Reserves and surplus

| Description | (₹ in Crore) | |
|------------------------------------|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| Securities Premium Reserves | | |
| As per last Balance Sheet | 4875.15 | 1583.14 |
| Additions during the year | - | 3300.29 |
| Deductions during the year | - | 8.28 |
| Closing Balance | 4875.15 | 4875.15 |
| Bonds Redemption Reserve | | |
| As per last Balance Sheet | 2568.04 | 2043.08 |
| Additions during the year | 969.49 | 780.77 |
| Deductions during the year | 313.50 | 255.81 |
| Closing Balance | 3224.03 | 2568.04 |
| Self Insurance Reserve | | |
| Through appropriation | | |
| As per last Balance Sheet | 211.45 | 168.92 |
| Additions during the year | 43.85 | 42.53 |
| Deductions during the year | 3.92 | - |
| Closing Balance | 251.38 | 211.45 |

Note 2.2 - Reserves and surplus (contd...)

| (₹ in Crore) | | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Through charge to Profit | | |
| As per last Balance Sheet | 66.20 | 68.41 |
| Additions during the year | 3.92 | - |
| Deductions during the year | 0.81 | 2.21 |
| Closing Balance | 69.31 | 66.20 |
| | 320.69 | 277.65 |
| Corporate Social Responsibility(CSR) Activity Reserve | | |
| As per last Balance Sheet | 13.22 | 8.39 |
| Additions during the year | - | 4.83 |
| Deductions/Adjustments during the year | 13.22 | - |
| Closing Balance | | 13.22 |
| General Reserve | | |
| As per last Balance Sheet | 8988.08 | 7855.29 |
| Additions during the year | 1459.61 | 1141.11 |
| Deductions during the year | (3.06) | 8.32 |
| Closing Balance | 10450.75 | 8988.08 |
| Load Dispatch & Communication (LDC) Development Fund | | |
| As per Last Balance Sheet | 46.29 | 16.44 |
| Additions during the year | 23.95 | 29.85 |
| Deductions during the year | - | - |
| Closing Balance | 70.24 | 46.29 |
| Short Term Open Access (STOA) Reserve | | |
| As per Last Balance Sheet | - | - |
| Additions during the year | 219.88 | 141.25 |
| Deductions during the year | 219.88 | 141.25 |
| Closing Balance | - | - |
| Capital Reserve | | |
| As per Last Balance Sheet | 0.70 | 0.74 |
| Additions during the year | 1.25 | - |
| Deductions during the year | 0.11 | 0.04 |
| Closing Balance | 1.84 | 0.70 |
| | 18942.70 | 16769.13 |
| Surplus(Balance in Statement of Profit and loss) | | |
| As per last Balance Sheet | 18.73 | 32.78 |
| Add: Additions | | |
| Profit after tax as per Statement of Profit and Loss | 3302.99 | 2671.91 |
| Transfer from Bond Redemption Reserve | 313.50 | 255.81 |
| Transfer from Short Term Open Access(STOA) Reserve | 219.88 | 141.25 |
| Corporate Social Responsibility (CSR) Activities Reserve | 13.22 | - |
| Dividend Adjustment | 44.72 | 74.79 |
| Dividend tax adjusted | 0.50 | - |
| Less: Appropriations | | |

Note 2.2 - Reserves and surplus (contd...)

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| STOA Reserve | 219.88 | 141.25 |
| Bonds Redemption Reserve | 969.49 | 780.77 |
| Corporate Social Responsibility (CSR) Activities Reserve | - | 4.83 |
| Load Despatch and Communication (LDC) Development Reserve | 23.95 | 21.53 |
| Self Insurance Reserve | 43.85 | 42.53 |
| General Reserve | 1459.61 | 1141.11 |
| Interim dividend | 399.06 | 306.30 |
| Dividend tax on Interim dividend | 65.46 | 43.78 |
| Proposed Final Dividend | 621.41 | 578.72 |
| Dividend tax on proposed Final Dividend | 100.06 | 96.98 |
| Closing Balance | 10.77 | 18.73 |
| TOTAL | 18953.48 | 16787.86 |

Note 2.3 - Long-term borrowings

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| a) BONDS | | |
| Secured (Taxable, Redeemable, Non-Cumulative, Non-Convertible) | | |
| XXXVI Issue- 9.35% Bonds of ₹ 1.50 crores each consisting of 15 STRPPs of ₹ 10.00 Lakhs each redeemable at par in 15 (fifteen) equal annual instalments w.e.f 29.08.2016 | 3090.00 | - |
| Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | | |
| Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 Lakhs each redeemable at par in 12 (twelve) equal annual instalments. | | |
| Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the Company. | | |
| XXXVII Issue- 9.25% redeemable w.e.f 26.12.2015 | 1995.00 | - |
| XXXV Issue- 9.64% redeemable w.e.f 31.05.2015 | 1957.50 | - |
| XXXIV Issue- 8.84% redeemable w.e.f 21.10.2014 | 3487.50 | 3487.50 |
| XXXIII Issue- 8.64%% redeemable w.e.f 08.07.2014 | 2880.00 | 2880.00 |
| XXXII Issue- 8.84% redeemable w.e.f 29.03.2014 | 1035.00 | 1035.00 |
| XXXI Issue- 8.90% redeemable w.e.f 25.02.2014 | 2047.50 | 2047.50 |
| XXX Issue- 8.80% redeemable w.e.f 29.09.2013 | 2332.50 | 2332.50 |
| XXIX Issue- 9.20% redeemable w.e.f 12.03.2013 | 1189.37 | 1297.50 |
| XXVIII Issue- 9.33% redeemable w.e.f 15.12.2012 | 2200.00 | 2400.00 |
| XXVII Issue- 9.47% redeemable w.e.f 31.03.2012 | 587.50 | 646.25 |
| XXVI Issue- 9.30% redeemable w.e.f 07.03.2012 | 832.50 | 915.75 |
| XXV Issue- 10.10% redeemable w.e.f 12.06.2011 | 887.50 | 976.25 |

Note 2.3 - Long-term borrowings (contd...)

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| XXIV Issue- 9.95% redeemable w.e.f 26.03.2011 | 599.63 | 666.25 |
| XXIII Issue- 9.25% redeemable w.e.f 09.02.2011 | 230.63 | 256.25 |
| XXII Issue- 8.68% redeemable w.e.f 07.12.2010 | 517.50 | 575.00 |
| XXI Issue- 8.73% redeemable w.e.f 11.10.2010 | 382.50 | 425.00 |
| XX Issue- 8.93% redeemable w.e.f 07.09.2010 | 1125.00 | 1250.00 |
| XIX Issue- 9.25% redeemable w.e.f 24.07.2010 | 371.25 | 412.50 |
| XVIII Issue- 8.15% redeemable w.e.f 09.03.2010 | 666.00 | 749.25 |
| Bonds of ₹ 1.00 crores each consisting of 10 STRPPs of ₹ 10.00 Lakhs each redeemable at par in 10 (ten) equal annual instalments. | | |
| Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | | |
| XVII Issue- 7.39% redeemable w.e.f 22.09.2009 | 600.00 | 700.00 |
| XVI Issue- 7.10% redeemable w.e.f 18.02.2009 | 375.00 | 450.00 |
| XV Issue-6.68% Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 Lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f. 23.02.2008 | | |
| Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | 450.00 | 525.00 |
| XIII issue-8.63% Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 31.07.2006 | | |
| Secured by way of Registered Bond 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 | 337.50 | 405.00 |
| XII issue-.9.70% Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 28.03.2006 | | |
| Secured by way of Registered Bond 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 | 61.50 | 76.87 |
| XI issue-9.80% Bonds of ₹ 3 crores each consisting of 12 STRPPs of ₹ 25 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 07.12.2005 | | |
| Secured by way of Registered Bond 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-Allahbad, LILO of Singraulli-Kanpur and Allahabad Sub-Station | 181.00 | 226.25 |

Note 2.3 - Long-term borrowings (contd...)

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| VIII issue-10.35% Bonds of ₹ 1000/-each redeemable at par in 10(Ten) equal annual instalments w.e.f. 27.04.2005 Secured by floating charge over the Fixed Assets of the Company | 4.00 | 6.00 |
| XIV issue-6.10% Bonds of ₹ 1.5 crores each consisting of 12 STRPPs of ₹ 12.50 Lakhs each redeemable at par in 12 (twelve) equal annual instalments w.e.f 17.07.2004 Secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | 174.75 | 233.00 |
| X issue-10.90% Bonds of ₹ 12 lakh each redeemable at par in 12 (twelve) equal annual instalments w.e.f 21.06.2004 Secured by way of Registered Bond 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-IFarakka & Chamera Transmission system | 190.38 | 253.84 |
| IX issue-12.25% Bonds of ₹ 100000/- each redeemable at par in 10(Ten) equal annual instalments w.e.f. 22 nd August, 2003 Secured by way of Registered Bond 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. | - | 57.65 |
| | 30788.51 | 25286.11 |
| To be Secured | | |
| Taxable, Secured, Redeemable, Non-Cumulative, Non-Convertible Bonds of ₹ 10.00 lakh each. | | |
| To be secured by way of Registered Bond Trust Deed ranking pari passu on immovable property situated at Mouje Ambheti Taluka Kaparada in district Valsad Gujarat and floating charge on the assets of the company. | | |
| XXXIX Issue- 9.40% redeemable at par on 29.03.2027 | 1800.00 | - |
| XXXVIII Issue- 9.25% redeemable at par on 09.03.2027 | 855.00 | - |
| | 2655.00 | - |
| | 33443.51 | 25286.11 |
| b) Term Loans | | |
| From Banks | | |
| Secured | | |
| i) Rupee Loans | | |
| Secured by a floating charge on the fixed assets of the Company | | |
| Indian Overseas Bank | - | 35.94 |

Note 2.3 - Long-term borrowings (contd...)

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| Corporation Bank | 5.00 | 15.00 |
| Punjab National Bank-Loan-I | - | 20.00 |
| Punjab National Bank-Loan-II | 75.00 | 100.00 |
| Oriental Bank of Commerce | 62.50 | 83.33 |
| ICICI Bank Ltd.(Secured by first pari passu charge over the assets of the Company) | - | 15.00 |
| Secured by a Hypothecation of JV Company (JayPee Power Grid Ltd) Movable assets and Current assets | | |
| ICICI Bank Ltd. | - | 11.59 |
| State Bank of India | 61.98 | - |
| Central Bank of India | 35.33 | 32.43 |
| Jammu and Kashmir Bank | 23.56 | 21.62 |
| United Bank Of India | - | 15.13 |
| Punjab National Bank | 47.11 | 43.24 |
| Secured by first pari passu charge over the Movable assets of JV Company (Torrent Powergrid Ltd.) | | |
| Bank of Baroda | 47.70 | 52.99 |
| Secured by first pari passu charge on all Movable and Current Assets of JV Company (Powerlinks Transmission Ltd.) | | |
| State Bank of India | 51.83 | 60.84 |
| Secured by First mortgage and charge on all the immovable and movable assets of JV Company (Teestavalley Power Transmission Ltd.) | | |
| Other Banks | 60.94 | 20.24 |
| | 470.95 | 527.35 |
| ii) Foreign Currency Loans | | |
| Bank of India Cayman Islands (Secured by a Floating charge on the immovable properties of the company) | 271.73 | 260.28 |
| Loan from Asian Development Bank Philippines (Guaranteed by Govt. of India) | | |
| Secured by pari passu interest in the liens created on the assets as security for the debts. | | |
| Asian development Bank(ADB)-I | 262.05 | 321.90 |
| ADB-II | 919.02 | 863.27 |
| ADB-III | 1768.63 | 1564.32 |
| Secured by first paripasu charge on tangible/ intangible, all movable assets & current assets of JV Company (Powerlinks Transmission Ltd.) | | |
| Asian development Bank | 71.88 | 83.86 |
| Loan from International Bank for Reconstruction and Development, USA (Guaranteed by Govt. of India) | | |
| i) Secured by equitable mortgage of immovable properties and hypothecation of movable properties of Vindhyachal and Rihand Transmission system. | | |
| PSDP I | 70.06 | 173.22 |

Note 2.3 - Long-term borrowings (contd...)

| | | (₹ in Crore) | |
|--|---------|------------------------|------------------------|
| Description | | As at 31st March, 2012 | As at 31st March, 2011 |
| ii) Secured by pari passu interest in the liens created on the assets as security for the debts. | | | |
| PSDP-II | 1542.33 | | 1458.27 |
| PSDP-III | 1859.81 | | 1697.61 |
| PSDP-IV | 2685.06 | | 2206.46 |
| PSDP-IV (Addl.) | 1486.81 | | 1208.51 |
| PSDP-V | 878.91 | | 253.60 |
| | | 11816.29 | 10091.30 |
| To be Secured | | | |
| i) Rupee Loans | | | |
| Term Loan (LOC) from State Bank of India | | 1000.00 | - |
| To be secured by way of par passu charge on assets of the Company except investments, land and buildings and current assets | | | |
| ii) Foreign Currency Loans | | | |
| (Pending creation of security by way of pari passu interest in the liens created on the assets as security for the debts) | | | |
| ADB-IV | 1348.74 | | 692.01 |
| ADB-V | 340.14 | | 155.66 |
| Loan under NIB Loan no. PIL 5120 | 470.19 | | - |
| | | 2159.07 | 847.67 |
| Unsecured | | | |
| Foreign currency loans | | | |
| Skandinaviska Enskilda Banken AB(publ) Sweden | 82.52 | | 94.99 |
| Loans Guaranteed by Govt of India | | | |
| Natixis Banque (Formerly Credit National) France | 104.68 | | 104.41 |
| Japan International Cooperation Agency (Formerly Japan Bank for International Cooperation) Japan | 161.09 | | 148.74 |
| European Investment BankLuxembourg | 21.29 | | 37.28 |
| | | 369.58 | 385.42 |
| From Others | | 15815.89 | 11851.74 |
| Secured | | | |
| Rupee Loans | | | |
| Secured by a floating charge on the fixed assets of the Company | | | |
| Life Insurance Corporation of India-II | 171.10 | | 235.99 |
| Life Insurance Corporation of India-III | 9.91 | | 16.49 |
| Secured by way of first charge ranking paripasu on tangible/intangible on all movable assets & current assets of JV company (Powerlinks Transmission Ltd) | | | |
| International Finance Corporation | 80.84 | | 94.31 |
| IDFC | 60.74 | | 70.86 |
| Secured by First Mortgage of immovable properties and Hypothecation of all movable assets and current assets of JV company (Parbati Koldam Transmission Company Ltd & North East Transmission Company Limited) | | | |
| Power Finance Corporation Limited | 323.75 | | 155.76 |

Note 2.3 - Long-term borrowings (contd...)

| (₹ in Crore) | | |
|--|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Rural Electrification corporation | 20.88 | - |
| | 667.22 | 573.41 |
| Unsecured | | |
| i) Rupee Loans | | |
| Power Finance Corporation Limited | - | 5.00 |
| ii) Foreign Currency Loan | | |
| Kreditanstalt fur Wiederaufbau Germany | 79.11 | 188.39 |
| | 746.33 | 766.80 |
| Total | 50005.73 | 37904.65 |
| Further notes: | | |

The Term loans are repayable in installments as per the terms of respective agreement generally over the period of 10 to 20 years after the moratorium period of 3 to 5 years.

Note 2.4 - Deferred tax liabilities (Net)

| (₹ in Crore) | | |
|--|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Deferred Tax liability | | |
| Towards Fixed Asset(Net) (A) | 5099.25 | 6037.02 |
| Deferred Tax Asset | | |
| Income during Construction Period | 44.26 | 19.64 |
| Self Insurance Reserve | 21.21 | 21.48 |
| Provisions allowable on payment basis | 143.27 | 123.63 |
| Advance Against Depreciation | 695.55 | 706.03 |
| Others | 3.13 | 3.63 |
| Sub-total (B) | 907.42 | 874.41 |
| Deferred Tax Liability (Net) (A-B) | 4191.83 | 5162.61 |
| Less : Recoverable from Beneficiaries | 2597.27 | 4018.47 |
| Net Deferred Tax Liability | 1594.56 | 1144.14 |

During the year, the deferred tax liability (net) and the deferred tax recoverable from the beneficiaries as at 31st March, 2012 have been reviewed and reassessed. Net increase in deferred tax liability of ₹ 450.42 Crore (Previous year ₹ 440.56 Crore) has been charged to the Statement of Profit and Loss

Note 2.5 - Deferred Revenue

| (₹ in Crore) | | |
|---------------------------------|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| a) Advance Against Depreciation | 2192.16 | 2224.45 |
| b) Grants in aid | 140.59 | 173.31 |
| TOTAL | 2332.75 | 2397.76 |

Note 2.6 - Other Long term liabilities

| (₹ in Crore) | | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Other liabilities | | |
| i) Deposits /Retention money from contractors and others. | 614.19 | 1375.22 |
| Less: Investments held as security | 0.34 | 0.79 |
| | 613.85 | 1374.43 |
| ii) Advance from customers (Consultancy contracts) | 471.84 | 1027.73 |
| iii) Dues for Capital Expenditure | 304.08 | 346.75 |
| iv) others | 72.48 | 97.48 |
| Total | 1462.25 | 2846.39 |

Note 2.7 - Long-term provisions

| (₹ in Crore) | | |
|---------------------------------------|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Employee Benefits | | |
| As per last Balance Sheet | 340.82 | 286.29 |
| Additions during the year | 108.21 | 54.64 |
| Amounts utilised/paid during the year | 0.08 | 0.11 |
| Closing Balance | 448.95 | 340.82 |
| TOTAL | 448.95 | 340.82 |

Note 2.8 - Short-term borrowings

| (₹ in Crore) | | |
|-------------------------|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| (Unsecured) | | |
| Short Term loans | | |
| From Banks | 1658.28 | 1450.00 |
| Total | 1658.28 | 1450.00 |

Note 2.9 - Trade payables

| (₹ in Crore) | | |
|------------------------|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| For goods and services | 237.17 | 232.49 |
| Total | 237.17 | 232.49 |

Note 2.10 - Other current liabilities

| (₹ in Crore) | | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| A) Current maturities of Long Term borrowings | 2691.43 | 2257.80 |
| B) Interest Accrued But Not Due On borrowings From | | |
| Indian Banks Financial Institutions & Corporations | 29.02 | 28.69 |
| Foreign Banks & Financial Institutions | 41.47 | 30.09 |
| Secured/Unsecured redeemable Bonds | 1211.97 | 866.18 |

Note 2.10 - Other current liabilities (contd...)

| (₹ in Crore) | | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| C) Others | 1282.46 | 924.96 |
| i) Dues for Capital Expenditure | 1224.49 | 1277.57 |
| ii) Employee related liability | 1.77 | 1.67 |
| iii) Un-claimed matured bonds | 0.08 | 0.07 |
| iv) Unclaimed Dividend | 5.93 | 4.31 |
| v) Deposits Retention money from contractors and others. | 1586.67 | 590.49 |
| Less: Investments held as security | 0.75 | 1.26 |
| | 1585.92 | 589.23 |
| vi) Advance from customers (Consultancy contracts) | 1819.53 | 1380.93 |
| vii) Statutory Dues | 76.09 | 115.19 |
| viii) Related Party | 30.04 | 17.40 |
| ix) Liabilities in respect of designated a/c operated and maintained in terms of CERC Regulations | 426.64 | 744.65 |
| x) Others | 25.49 | 12.93 |
| | 5195.98 | 4143.95 |
| Total | 9169.87 | 7326.71 |

Note 2.11 - Short-term provisions

| (₹ in Crore) | | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| a) Employee Benefits | | |
| i) Transmission incentive/special incentive | | |
| As per last Balance Sheet | 199.47 | 132.79 |
| Addition during the year | 137.22 | 99.53 |
| Amount paid/adjusted during the year | 111.11 | 32.85 |
| Closing Balance | 225.58 | 199.47 |
| ii) Retirement benefit/Wage revision | | |
| As per last Balance Sheet | 67.32 | 342.93 |
| Additions during the year | 33.43 | 3.08 |
| Amounts utilised/paid during the year | - | 278.69 |
| Closing Balance | 100.75 | 67.32 |
| iii) Other Employee Benefits (Leave Encashment, Settlement Allowance and Long Service Award etc.) | | |
| As per last Balance Sheet | 29.86 | 25.49 |
| Additions during the year | 9.99 | 14.12 |
| Amounts utilised/paid during the year | 13.34 | 9.75 |
| Closing Balance | 26.51 | 29.86 |
| Total (A) | 352.84 | 296.65 |
| b) Others | | |
| i) Taxation (Including interest on Tax) | | |
| As per last Balance Sheet | 1600.53 | 1148.11 |
| Additions during the year | 938.81 | 699.02 |
| Amount adjusted during the year | 480.35 | 246.61 |
| Closing Balance | 2058.99 | 1600.53 |

Note 2.11 - Short-term provisions (contd...)

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| ii) Proposed Dividend | | |
| As per last Balance Sheet | 597.83 | 420.88 |
| Additions during the year | 621.41 | 597.83 |
| Amounts paid during the year | 597.83 | 420.88 |
| Closing Balance | 621.41 | 597.83 |
| iii) Dividend Tax | | |
| As per last Balance Sheet | 96.98 | 69.90 |
| Additions during the year | 165.53 | 102.32 |
| Amounts paid/adjusted during the year | 161.70 | 75.23 |
| Closing Balance | 100.81 | 96.98 |
| iv) Downtime Service Credit-Telecom | | |
| As per last Balance Sheet | 2.46 | 1.77 |
| Additions during the year | 0.75 | 0.69 |
| Amounts adjusted/paid during the year | - | - |
| Closing Balance | 3.21 | 2.46 |
| v) Guarantee Fee to GOI | | |
| As per last Balance Sheet | 18.65 | 16.28 |
| Additions during the year | - | 2.37 |
| Amounts adjusted/paid during the year | 18.65 | - |
| Closing Balance | - | 18.65 |
| vi) Provision for Corporate Social Responsibility (CSR) Activity | | |
| As per last Balance Sheet | - | - |
| Additions during the year | 15.26 | - |
| Amounts adjusted/paid during the year | - | - |
| Closing Balance | 15.26 | - |
| vii) Provision Others | | |
| As per last Balance Sheet | 0.13 | - |
| Additions during the year | 1.44 | 0.13 |
| Amounts adjusted/paid during the year | 0.04 | - |
| Closing Balance | 1.53 | 0.13 |
| Total (B) | 2801.22 | 2316.59 |
| Total (A+B) | 3154.06 | 2613.24 |

Note 2.12 - Tangible assets

(₹ in Crore)

| Description | Gross Block | | | | Depreciation/Amortisation | | | | | Net Block | |
|---|-----------------------|---------------------------|-----------------|----------------------------|---------------------------|------------------|---------------------------|-----------------|----------------------------|------------------------|------------------------|
| | As at 1st April, 2012 | Additions during the year | Sale / Disposal | Adjustment during the year | As at 31st March, 2012 | Upto 31-Mar-2011 | Additions during the year | Sale / Disposal | Adjustment during the year | As at 31st March, 2012 | As at 31st March, 2011 |
| Land | | | | | | | | | | | |
| a) Freehold | 744.55 | 423.49 | | (23.03) | 1191.07 | | | | | 1191.07 | 744.55 |
| b) Leasehold | 102.07 | 109.09 | | (0.42) | 211.58 | 12.07 | 5.02 | | (0.86) | 17.95 | 193.63 |
| Buildings | | | | | | | | | | | |
| a) Sub-Stations & Office | 452.90 | 56.24 | 0.15 | (0.51) | 509.50 | 132.23 | 16.76 | 0.01 | (4.57) | 153.55 | 355.95 |
| b) Township | 387.30 | 25.51 | | (0.93) | 413.74 | 71.65 | 16.17 | | (9.96) | 97.78 | 315.96 |
| c) RLDC | 9.87 | | | | 9.87 | 1.57 | 0.33 | | | 1.90 | 7.97 |
| Temporary Erection | 8.61 | 0.81 | | 0.14 | 9.28 | 8.59 | 0.68 | | | 9.27 | 0.01 |
| Roads & Bridges | 117.88 | 9.98 | | | 127.86 | 26.45 | 5.24 | | (2.28) | 33.97 | 93.89 |
| Water Supply Drainage & Sewerage | 71.54 | 9.55 | | (0.08) | 81.17 | 17.72 | 4.64 | | (0.37) | 22.73 | 58.44 |
| Plant & Equipment | | | | | | | | | | | |
| a) Transmission | 32018.55 | 8068.18 | 0.17 | (329.78) | 40416.34 | 7313.89 | 1688.48 | 0.05 | 21.31 | 8981.01 | 31435.33 |
| b) Substation | 15110.70 | 3498.12 | 1.40 | (256.76) | 18864.18 | 4967.71 | 733.99 | 1.26 | 3.60 | 5696.84 | 13167.34 |
| c) Unified Load Despatch/ RLDC & Communication | 577.76 | 0.60 | | (3.64) | 582.00 | 380.38 | 88.97 | | 3.83 | 465.52 | 116.48 |
| d) Telecom | 1154.72 | 60.49 | | (9.60) | 1224.81 | 378.61 | 64.71 | | (0.23) | 443.55 | 781.26 |
| Furniture Fixtures | 67.20 | 10.79 | 0.10 | 0.08 | 77.81 | 30.99 | 3.99 | 0.01 | 0.15 | 34.83 | 42.98 |
| Office equipment | 68.15 | 9.82 | 0.16 | 0.40 | 77.41 | 30.64 | 4.33 | 0.10 | 0.30 | 34.57 | 42.84 |
| Electronic Data Processing & Word Processing Machines | 70.27 | 14.68 | 0.18 | 0.50 | 84.27 | 52.72 | 6.98 | 0.15 | 0.83 | 58.72 | 25.55 |
| Vehicles | 4.96 | 0.45 | 0.15 | 0.03 | 5.23 | 2.46 | 0.06 | 0.12 | 0.11 | 2.28 | 2.94 |
| Construction and Workshop equipment | 87.56 | 14.98 | | (0.90) | 103.44 | 20.72 | 4.64 | | 0.02 | 25.34 | 78.10 |
| Electrical Installation | 72.47 | 14.28 | | 0.19 | 86.56 | 28.87 | 3.52 | | | 32.39 | 54.17 |
| Laboratory Equipments | 50.96 | 5.39 | | (0.14) | 56.49 | 26.12 | 2.17 | | (0.06) | 28.35 | 28.14 |
| Workshop & Testing Equipments | 18.68 | 2.47 | | (0.22) | 21.37 | 13.85 | 0.51 | | | 14.36 | 7.01 |
| Miscellaneous Assets/ Equipments | 0.61 | 0.01 | | | 0.62 | 0.21 | 0.02 | | | 0.23 | 0.39 |
| Grand Total | 51197.31 | 12334.93 | 2.31 | (624.67) | 64154.60 | 13517.45 | 2651.21 | 1.70 | 11.82 | 16155.14 | 47999.46 |
| Less: Provision for assets discarded | | | | | 10.47 | | | | | 8.71 | 1.76 |
| | 51197.31 | 12334.93 | 2.31 | (624.67) | 64144.13 | 13517.45 | 2651.21 | 1.70 | 11.82 | 16146.43 | 47997.70 |
| Previous Year | 44023.89 | 7388.71 | | 215.29 | 51197.31 | 11465.87 | 2271.30 | | 219.72 | 13517.45 | 37679.88 |
| Less: Provision for assets discarded | | | | | 10.47 | | | | | 8.71 | 1.76 |
| | 44023.89 | 7388.71 | | 215.29 | 51186.84 | 11465.87 | 2271.30 | | 219.72 | 13508.74 | 37678.12 |

Further Notes:

- The Company owns 5635 hectare (Previous Year 5377 hectare) of land amounting to ₹ 1401.84 crore (Previous Year ₹ 845.81 crore) which has been classified into freehold ₹ 1190.26 crore (Previous Year ₹ 743.74 crore) and leasehold ₹ 211.58 crore (Previous Year ₹ 102.07 crore) based on available documentation.
- The Company's land in the State of Jammu & Kashmir amounting to ₹ 54.60 crore (Previous Year ₹ 22.91 crore) and in certain other cases (value not ascertainable), the conveyancing of title to the freehold land and execution/registration of lease agreements in favour of the company is pending for completion of legal formalities.
- Freehold land includes ₹ 48.71 crore (previous year ₹ 33.71 crore) in respect of land acquired by the Company for which conveyance deed in favour of the Company is yet to be executed.
- Leasehold land includes ₹ 7.64 crore (previous year ₹ 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 not amortised
- Consequent upon advance possession of the land measuring 60.00 acres given to Company, provisional payment of ₹ 3.63 crore has been included in freehold land pending determination of market value of land.
- Township buildings includes ₹ 7.27 crore (previous year ₹ 7.27 crore) for 28 flats at Mumbai, for which registration in favour of the company is pending.
- Plant and machinery under substation in fixed assets includes company's share of ₹ 3.80 crore (previous year ₹ 3.80 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.

Note 2.13 - Intangible assets

(₹ in Crore)

| Description | Gross Block | | | | Depreciation/Amortisation | | | | | Net Block | | |
|-------------------------------------|-----------------------|--------------------------|-----------------|----------------------------|---------------------------|------------------|--------------------------|-----------------|----------------------------|------------------------|-------------------|------------------------|
| | As at 1st April, 2011 | Additons during the year | Sale / Disposal | Adjustment during the year | As at 31st March, 2012 | Upto 31-Mar-2011 | Additons during the year | Sale / Disposal | Adjustment during the year | As at 31st March, 2012 | As at 31-Mar-2012 | As at 31st March, 2011 |
| Electronic Data Processing Software | 3.29 | 4.35 | | | 7.64 | 2.39 | 1.43 | | (0.08) | 3.90 | 3.74 | 0.90 |
| Right of Way-Afforestation Expenses | 272.30 | 92.81 | | (2.26) | 367.37 | 19.31 | 16.34 | | (11.40) | 47.05 | 320.32 | 252.99 |
| Licence Fee | | 0.05 | | | 0.05 | | | | | | 0.05 | |
| Total | 275.59 | 97.21 | | (2.26) | 375.06 | 21.70 | 17.77 | | (11.48) | 50.95 | 324.11 | 253.89 |
| Previous Year | 233.93 | 39.27 | | (2.39) | 275.59 | 13.20 | 8.55 | | 0.05 | 21.70 | 253.89 | |

Note 2.14 - Capital work in progress

(₹ in Crore)

| Description | As at 1st April, 2011 | Additions | Adjustments | Capitalised during the year | As at 31st March, 2012 |
|--|-----------------------|-----------|-------------|-----------------------------|------------------------|
| Land | | | | | |
| Development of land | 81.28 | 15.75 | 8.78 | 1.50 | 86.75 |
| Buildings | | | | | |
| a) Sub-Stations & Office | 59.83 | 64.41 | 5.31 | 51.25 | 67.68 |
| b) Township | 58.09 | 31.05 | 0.55 | 24.62 | 63.97 |
| Temporary erection | 0.15 | 0.66 | 0.06 | 0.30 | 0.45 |
| Roads & Bridges | 10.99 | 10.80 | 2.00 | 8.62 | 11.17 |
| Water Supply Drainage and Sewerage | 5.81 | 10.04 | 0.99 | 8.73 | 6.13 |
| Plant & Equipments (including associated civil works) | | | | | |
| a) Transmission | 9280.37 | 8340.65 | 503.41 | 8061.07 | 9056.54 |
| b) Sub-Station | 1686.01 | 5382.98 | 10.69 | 3471.71 | 3586.59 |
| c) Unified Load Despatch/RLDC & Communication | 0.68 | 11.78 | 0.01 | - | 12.45 |
| d) Telecom | 21.29 | 63.11 | - | 19.20 | 65.20 |
| Furniture Fixtures | 1.11 | 0.13 | 0.06 | 0.85 | 0.33 |
| Other office equipments | 1.87 | 0.13 | 0.07 | 0.05 | 1.88 |
| Electrical Installations | 14.13 | 10.66 | 0.07 | 12.30 | 12.42 |
| Expenditure pending allocation | | | | | |
| i) Survey Investigation Consultancy & Supervision Charges | 225.26 | 176.98 | 1.35 | 4.63 | 396.26 |
| ii) Difference in Exchange on foreign Loans | - | 390.08 | 158.27 | - | 231.81 |
| iii) Expenditure during Construction | 1879.66 | 1936.05 | 1165.33 | 1.26 | 2649.12 |
| TOTAL | 13326.53 | 16445.26 | 1856.95 | 11666.09 | 16248.75 |
| Previous Year | 10455.28 | 10567.34 | 741.47 | 6954.62 | 13326.53 |

Note 2.15 - Intangible assets under development

| (₹ in Crore) | | | | | |
|--|-----------------------|-----------|-------------|-----------------------------|------------------------|
| Description | As at 1st April, 2011 | Additions | Adjustments | Capitalised during the year | As at 31st March, 2012 |
| Right of Way- Afforestation Charges & Forest Charges | 107.50 | 57.12 | 0.15 | 71.39 | 93.08 |
| Total | 107.50 | 57.12 | 0.15 | 71.39 | 93.08 |
| Previous Year | 52.07 | 84.96 | (8.45) | 37.98 | 107.50 |

Note 2.16 - Construction stores

| (₹ in Crore) | | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| Towers | 3572.68 | 2627.20 |
| Conductors | 4311.27 | 3450.78 |
| Other Line Materials | 1445.24 | 1183.07 |
| Sub-Station Equipments | 3087.93 | 3411.47 |
| High Voltage Direct Current (HVDC) Equipments | 57.86 | 50.11 |
| Unified Load Despatch & Communication(ULDC) Materials | 38.43 | 19.84 |
| Telecom Materials | 8.42 | 0.40 |
| Steel | 0.72 | 0.54 |
| Others | 114.23 | 5.91 |
| | 12636.78 | 10749.32 |
| Less: Provision for Shortages and obsolete material | 0.01 | 0.01 |
| TOTAL | 12636.77 | 10749.31 |
| Construction Stores include: | | |
| i) Material in transit | | |
| Towers | 29.03 | 379.03 |
| Other Line Materials | - | 40.32 |
| Sub-Station Equipments | 317.86 | 1458.47 |
| Total | 346.89 | 1877.82 |
| ii) Material with Contractors | | |
| Towers | 3539.39 | 2321.11 |
| Conductors | 4307.28 | 3201.90 |
| Other Line Materials | 1444.13 | 1048.00 |
| Sub-Station Equipments | 2768.13 | 2227.49 |
| High Voltage Direct Current (HVDC) Equipments | 57.03 | 43.12 |
| Telecom Materials | 8.23 | 1.09 |
| Others | 79.54 | - |
| Total | 12203.73 | 8842.71 |
| Grand total | 12550.62 | 10720.53 |

Further Notes:

Pending reconciliation, materials amounting to ₹ 43.88 crore (previous year ₹ 34.68 crore) in commissioned lines is shown as construction stores lying with contractors.

Note 2.17 - Non-current investments

| Description | (₹ in Crore) | |
|--|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| LONG TERM | | |
| A. TRADE INVESTMENTS (AT COST) | | |
| I. Equity Instruments-Fully Paid up :- | | |
| Quoted | | |
| PTC India Ltd | | |
| 12000006(Previous year 12000006) Shares of ₹ 10/- each | 12.00 | 12.00 |
| {Market Value ₹ 73.68 crore @ 61.40 (NSE) per share(Previous year ₹ 100.08 crore @ 83.40 (NSE) per share)} | | |
| II. Govt.Securities (Unquoted):- | | |
| a) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of : | | |
| Andhra Pradesh | 54.16 | 72.21 |
| Arunachal Pradesh | 1.57 | 2.09 |
| Assam | 50.34 | 67.12 |
| Bihar | 48.64 | 64.86 |
| Gujarat | 21.01 | 28.02 |
| Haryana | 24.15 | 32.20 |
| Himachal Pradesh | 0.85 | 1.13 |
| Jammu & Kashmir | 48.59 | 64.79 |
| Kerala | 7.23 | 9.64 |
| Madhya Pradesh | 31.22 | 41.62 |
| Maharashtra | 4.04 | 5.39 |
| Manipur | 9.51 | 12.68 |
| Meghalaya | 0.13 | 0.17 |
| Mizoram | 0.01 | 0.01 |
| Nagaland | 4.18 | 5.57 |
| Punjab | 14.08 | 18.78 |
| Rajasthan | 3.27 | 3.27 |
| Sikkim | 3.38 | 4.51 |
| Tripura | 0.27 | 0.36 |
| Uttar Pradesh | 138.44 | 184.58 |
| Uttaranchal | 15.38 | 20.51 |
| West Bengal | 24.15 | 32.20 |
| Jharkhand | 33.45 | 44.60 |
| | 538.05 | 716.31 |
| b) Other Bonds:- | | |
| 15 years 8.5% J&K Govt. Bonds 2017 Interest payable semi-annually redeemable w.e.f 30.11.2007 | 10.38 | 12.69 |
| 15 years 8.5% J&K Govt. Bonds 2018 Interest payable semi-annually redeemable w.e.f 31.03.2008 | 13.43 | 16.12 |
| | 23.81 | 28.81 |
| TOTAL (A) | 573.86 | 757.12 |

Note 2.17 - Non-current investments (contd...)

| (₹ in Crore) | | |
|--|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| B. Non-trade investments (Unquoted) | | |
| 500 (Previous Year 500) Fully paid up shares of ₹ 10/- each in Employees Co-op Society Limited Itarsi (₹ 5000/-) | | |
| 500 (Previous Year 500) Fully paid up shares of ₹ 10/- each in Employees Co-op Society Limited Nagpur (₹ 5000/-) | | |
| 500 (Previous Year 500) Fully paid up shares of ₹ 10/- each in Employees Co-op Society Limited Jabalpur (₹ 5000/-) | | |
| Total (B) | | |
| GRAND TOTAL (A+B) | 573.86 | 757.12 |

Further notes:

1) Aggregate amount of Quoted Investments

| | | |
|--|--------|--------|
| Book value | 12.00 | 12.00 |
| Market Value | 73.68 | 100.08 |
| Aggregate amount of Unquoted Investments | | |
| Book value | 561.86 | 745.12 |

Note 2.18 - Long-term loans and advances

(Unsecured Considered good unless otherwise stated)

| (₹ in Crore) | | |
|--|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| A) Advances for Capital Expenditure | | |
| i) Secured | 9.63 | 4.84 |
| ii) Unsecured | | |
| a. Against Bank guarantees | 4671.52 | 2422.94 |
| b. Others | 447.17 | 418.80 |
| iii) Unsecured Considered Doubtful | 1.14 | 1.18 |
| | 5119.83 | 2842.92 |
| Less: Provision for Bad & Doubtful Advances | 1.14 | 1.18 |
| | 5128.32 | 2846.58 |
| B) Loans | | |
| i) Employees (including interest accrued) | | |
| Secured | 124.21 | 90.51 |
| Unsecured - Considered Good | 5.64 | 4.40 |
| | 129.85 | 94.91 |
| ii) Long Term Loan (Under securitisation Scheme) | 53.99 | 69.41 |
| iii) Lease Receivables | 295.02 | 417.37 |
| | 478.86 | 581.69 |
| C) Security Deposits | 8.03 | 6.41 |

Note 2.18 - Long-term loans and advances (contd...)

| (₹ in Crore) | | |
|---|---------------------------|---------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| D) Advances recoverable in cash or in kind or for value to be received | | |
| Contractors & Suppliers(Material issued on Loan) | 1.26 | 2.34 |
| Employees | 15.73 | 28.45 |
| Others | 4.98 | 56.08 |
| Balance with Customs Port Trust and other authorities | 7.35 | 13.20 |
| | 29.32 | 100.07 |
| Considered doubtful | 7.23 | 9.28 |
| | 36.55 | 109.35 |
| Less: Provision for bad and doubtful Advances and Claims | 7.23 | 9.28 |
| | 29.32 | 100.07 |
| TOTAL | 5644.53 | 3534.76 |

Note 2.19 - Current investments

| (₹ in Crore) | | |
|--|---------------------------|---------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| A CURRENT MATURITIES OF LONG TERM INVESTMENTS (AT COST) | | |
| TRADE INVESTMENTS | | |
| Govt.Securities (Unquoted):- | | |
| 1) 8.5% tax free Bonds redeemable in 20 half yearly instalments w.e.f. 1.10.2006 of : | | |
| Andhra Pradesh | 18.04 | 18.05 |
| Arunachal Pradesh | 0.52 | 0.52 |
| Assam | 16.78 | 16.78 |
| Bihar | 16.22 | 16.21 |
| Gujarat | 7.00 | 7.00 |
| Haryana | 8.04 | 8.05 |
| Himachal Pradesh | 0.28 | 0.28 |
| Jammu & Kashmir | 16.20 | 16.20 |
| Kerala | 2.42 | 2.41 |
| Madhya Pradesh | 10.40 | 10.41 |
| Maharashtra | 1.34 | 1.35 |
| Manipur | 3.18 | 3.17 |
| Meghalaya | 0.04 | 0.04 |
| Nagaland | 1.40 | 1.39 |
| Punjab | 4.70 | 4.69 |
| Rajasthan | - | 1.09 |
| Sikkim | 1.12 | 1.13 |
| Tripura | 0.10 | 0.09 |
| Uttar Pradesh | 46.14 | 46.15 |
| Uttaranchal | 5.12 | 5.13 |
| West Bengal | 8.06 | 8.05 |
| Jharkhand | 11.16 | 11.15 |
| | 178.26 | 179.35 |

Note 2.19 - Current investments (contd...)

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| 2) Other Bonds:- | | |
| 15 years 8.5% J&K Govt. Bonds 2017 Interest payable semi-annually redeemable w.e.f 30.11.2007 | 2.31 | 2.31 |
| 15 years 8.5% J&K Govt. Bonds 2018 Interest payable semi-annually redeemable w.e.f 31.03.2008 | 2.69 | 2.69 |
| B Mutual Funds (Unquoted) | 5.00 | 5.00 |
| Templeton India ultra short Bond Fund | - | 3.43 |
| Birla Sunlife Short Term Fund | - | 1.50 |
| ICICI Prudential FMP series 54-1 year Plan A * | 3.19 | 3.19 |
| L&T Liquid Super Plan | 2.45 | - |
| Tata Fixed Maturity Plan series 40 * | 10.09 | - |
| Birla Sunlife Cash plus | 0.85 | 2.08 |
| | 16.58 | 10.19 |
| GRAND TOTAL | 199.84 | 194.54 |
| Further notes: | | |
| Aggregate amount of Unquoted Investments | | |
| Book value | 199.84 | 194.54 |
| * Under Lien and as security against borrowing | | |

Note 2.20 - Inventories

| Description | (₹ in Crore) | |
|---|------------------------|------------------------|
| | As at 31st March, 2012 | As at 31st March, 2011 |
| (As taken valued and certified by the Management) | | |
| (For mode of valuation refer Note 1.12) | | |
| Loose tools | 0.69 | 0.70 |
| Consumable stores | 3.13 | 2.41 |
| ComponentsSpares & other spare parts: | | |
| Towers | 113.07 | 96.35 |
| Conductors | 25.18 | 22.02 |
| Other Line Materials | 96.29 | 70.53 |
| Sub-Station Equipments/Spares | 108.55 | 91.89 |
| High Voltage Direct Current Equipments/spares | 57.56 | 41.13 |
| Unified Load despatch Centre Spares | 2.33 | 2.69 |
| Telecom Spares | 8.02 | 11.50 |
| Other Stores | 26.69 | 43.39 |
| | 441.51 | 382.61 |
| Less Provision for Shortages | 0.26 | 0.26 |
| TOTAL | 441.25 | 382.35 |
| Inventories includes material in transit | | |
| Other Stores | 0.01 | - |
| Total | 0.01 | - |

Note 2.21 - Trade receivables

(Unsecured considered good unless otherwise stated)

| (₹ in Crore) | | |
|--|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| i) Debts Outstanding for a period exceeding Six Months | | |
| Considered Good | 188.01 | 1.91 |
| Considered Doubtful | 78.06 | 78.05 |
| ii) Other debts | 2159.06 | 1199.13 |
| | 2425.13 | 1279.09 |
| Less: Provision for bad & doubtful debts | 78.06 | 78.05 |
| TOTAL | 2347.07 | 1201.04 |

Note 2.22 - Cash and Bank balances

| (₹ in Crore) | | |
|--|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| 1) Cash and Cash Equivalents | | |
| Balance with banks- | | |
| -In Current Accounts | 696.06 | 390.04 |
| -In term Deposits (FPO proceeds to be utilised for identified projects) | 250.00 | - |
| -In other term Deposits | 48.86 | 84.45 |
| -In designated current accounts (to be utilised for Consultancy Assignments) | 1153.06 | 1445.25 |
| Drafts/Cheques in Hand | 6.14 | 1.43 |
| Cash in hand | 0.03 | 0.05 |
| Stamps and Imprest | 0.01 | 0.01 |
| | 2154.16 | 1921.23 |
| 2) Other Bank balances | | |
| -In Current Accounts (Unclaimed dividend) | 8.64 | 6.25 |
| -In Current Accounts / Flexi Deposits (Operated and maintained in terms of CERC regulations) | 416.59 | 727.90 |
| -In Term Deposits having maturity over 3 months (FPO proceeds to be utilised for identified projects) | 500.00 | 2121.17 |
| -In other Term Deposits having maturity over 3 months | 31.95 | 29.32 |
| TOTAL | 3111.34 | 4805.87 |

Note 2.23 - Short-term loans and advances

| (₹ in Crore) | | |
|---|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| A) Loans | | |
| a) Employees including interest accrued | | |
| i) Secured Considered good | 30.73 | 1.33 |
| ii) Unsecured considered good | 4.08 | 47.99 |
| | 34.81 | 49.32 |
| b) Others | | |
| Secured Considered good | - | 0.11 |
| Unsecured considered good | | |
| Current maturities of Long Term Advances (Under securitisation Scheme) | 15.43 | 15.43 |
| Current Maturities of Lease Receivables | 131.44 | 174.23 |
| | 146.87 | 239.09 |
| Total(A) | 181.68 | 239.09 |
| B) Advances to related parties | 17.04 | 18.02 |
| C) Advances recoverable in cash or in kind or for value to be received (Unsecured Considered good) | | |
| a) Employees | 24.50 | 29.14 |
| b) Others | | |
| Contractors & Suppliers (Including Material issued on loan) | 12.28 | 21.18 |
| Balance with Customs Port Trust and other authorities | 11.25 | 11.36 |
| Advance Tax & TDS | 2203.34 | 1637.33 |
| Others | 82.87 | 120.57 |
| | 2309.74 | 1790.44 |
| Total (C) | 2334.24 | 1819.58 |
| Total(A+B+C) | 2532.96 | 2076.69 |

Note 2.24 - Other current assets

(Unsecured considered good unless otherwise stated)

| (₹ in Crore) | | |
|--|------------------------|------------------------|
| Description | As at 31st March, 2012 | As at 31st March, 2011 |
| a) Unbilled Revenue | 537.35 | 2052.93 |
| b) Interest accrued but not due | | |
| Interest accrued on Investments (Bonds) | 35.76 | 43.55 |
| Interest accrued on Term/Fixed Deposits | 42.46 | 93.34 |
| b) Unamortised Expenses (Deferred Revenue expenses to be written off within a period of 12 months) | - | 2.41 |
| c) Claims recoverable | 8.35 | 19.73 |
| d) Others | 48.14 | 53.56 |
| | 672.06 | 2265.52 |
| TOTAL | 672.06 | 2265.52 |

Further notes

Unbilled revenue ₹ 537.35 crore (Previous year ₹ 2052.93) represent amount for which the company is yet to raise bills in view of recognition of revenue as per CERC Tariff norms applicable for 2009-2014.

Note 2.25 - Revenue from operations

| | | (₹ in Crore) | |
|---|---------|-------------------------------------|-------------------------------------|
| Description | | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Sales of services | | | |
| i) Revenue from Transmission Charges | 9336.71 | | 7712.40 |
| Less: Advance Against Depreciation | - | | 0.96 |
| Add: Revenue Recognised out of AAD | 32.29 | | 38.52 |
| Transmission Charges-Short Term Open Access | 325.48 | | 221.24 |
| | | 9694.48 | 7971.20 |
| ii) System & Market Operation Charges | | 131.15 | 166.60 |
| iii) Consultancy Project Management and Supervision Fees | | 284.70 | 286.76 |
| iv) Telecom income | | | |
| NLD | 199.36 | | 172.99 |
| IP-1 | 9.43 | | 16.84 |
| ISP | 1.21 | | 1.06 |
| | 210.00 | | 190.89 |
| Less: Inter Divisional Transfer | | | |
| NLD | 3.53 | | 3.56 |
| IP-1 | 5.16 | | - |
| ISP | 0.12 | | 0.13 |
| | 8.81 | | 3.69 |
| | | 201.19 | 187.20 |
| Total | | 10311.52 | 8611.76 |

Further notes:

The company has recognized transmission income during the year as per the following:

- ₹ 1947.95 crores (previous year ₹ NIL) for which provisional tariff orders have been issued by CERC allowing provisional billing at 85%-95% of the tariff claimed.
- ₹ 6653.56 crore (previous year ₹ 3457.31 crore) for which final tariff orders have been issued by CERC.
- ₹ 301.94 crore (previous year ₹ 4292.65 crore) based on CERC Tariff norms applicable for the tariff block 2009-14 for which tariff orders are yet to be issued by CERC.
- In terms of CERC Regulation 39, CERC Tariff Regulations, 2009, notified by the CERC , during the year the Company has determined the amount of the Deferred Tax liability (Net) materialised for the period pertaining upto 31.03.2009 by identifying the major changes in the elements of Deferred Tax liability/Asset as recoverable from the beneficiaries and accordingly a sum of ₹ 465.55 crore(Net) has been recognised as sales during the year.

Note 2.26 - Other income

| (₹ in Crore) | | |
|---|--|--|
| Description | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| A) Income from non-current Investments | | |
| i) Dividend Income | 1.81 | 0.03 |
| ii) Interest on Govt.securities | 74.88 | 91.10 |
| B) Other Interests | | |
| Loan to State Govt. in settlement of dues | 6.88 | 8.19 |
| Indian Banks | 380.93 | 202.65 |
| Interest from Advances to contractors | 178.90 | 75.28 |
| Interest on differential between Provisional and Final Tariff by CERC | 128.94 | 118.68 |
| Others | 8.25 | 5.08 |
| | 780.59 | 501.01 |
| C) Others | | |
| Profit on fixed assets Sold | 0.10 | 0.13 |
| Deferred Income (Transferred from Grants-in-aid) | 27.29 | 23.36 |
| Short Term Open Access-Other Charges | 25.44 | 22.86 |
| Transfer from Insurance Reserve on A/c of Losses of Fixed Assets | 0.81 | 2.21 |
| Lease Income-State Sector ULDC | 7.89 | 74.02 |
| Surcharge | 67.10 | 6.07 |
| Hire charges for equipments | 0.08 | 0.24 |
| FERV gain | - | 78.02 |
| Rebate | 0.30 | 0.11 |
| Provisions written back | 40.93 | 40.24 |
| Miscellaneous income | 67.38 | 76.75 |
| | 1017.91 | 825.02 |
| Less: Income transferred to expenditure during construction-Note 2.32 | 255.85 | 164.24 |
| TOTAL | 762.06 | 660.78 |

Note 2.27 - Employee benefits expense

| (₹ in Crore) | | |
|--|--|--|
| Description | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Salaries wages allowances & benefits | 1100.07 | 841.73 |
| Contribution to provident and other funds | 93.14 | 154.10 |
| Staff Welfare expenses | 92.74 | 90.27 |
| | 1285.95 | 1086.10 |
| Less: Transferred to Expenditure during Construction-Note 2.32 | 364.54 | 300.42 |
| TOTAL | 921.41 | 785.68 |

Note 2.28 - Finance costs

| Description | (₹ in Crore) | |
|--|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| A) Interest on Loan from | | |
| Indian Banks Financial Institutions & Corporations | 314.06 | 199.70 |
| Foreign Banks and Financial Institutions | 145.83 | 140.09 |
| Secured/Unsecured redeemable Bonds | 2697.52 | 2168.40 |
| Others | 31.72 | 16.05 |
| | 3189.13 | 2524.24 |
| B) Other borrowing costs | | |
| Commitment charges | 3.23 | 4.53 |
| Guarantee Fee | 142.97 | 120.52 |
| Other finance charges | 40.42 | 30.93 |
| | 186.62 | 155.98 |
| C) ERV as adjustment to Borrowing Cost | | |
| ERV as adjustment to Borrowing Cost | 940.87 | 69.85 |
| Less: Transferred to Expenditure during Construction-Note no. 2.32 | 246.01 | 0.27 |
| | 694.86 | 69.58 |
| Less: FERV recoverable | 610.43 | 0.71 |
| | 84.43 | 68.87 |
| | 3460.18 | 2749.09 |
| Less: Transferred to Expenditure during Construction-Note no. 2.32 | 1474.43 | 1083.33 |
| TOTAL | 1985.75 | 1665.76 |

Note 2.29 - Depreciation and amortization expense

| Description | (₹ in Crore) | |
|--|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Depreciation/amortisation on Tangible Assets | 2651.21 | 2271.30 |
| Amortisation of Intangible assets | 17.77 | 8.55 |
| | 2668.98 | 2279.85 |
| Less: Transferred to Expenditure During Construction-Note no. 2.32 | 9.04 | 8.42 |
| | 2659.94 | 2271.43 |
| Less: Depreciation amortised due to FERV adjustment | 22.55 | (1.49) |
| Charged To Statement of Profit & Loss | 2637.39 | 2272.92 |

Note 2.30 - Transmission, Administration and other expenses

(₹ in Crore)

| Description | | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
|--|--------|---|---|
| Repair & Maintenance | | | |
| Buildings | | 25.06 | 17.95 |
| Plant & Machinery | | | |
| Sub Station | 114.26 | | 106.86 |
| Transmission lines | 48.17 | | 34.97 |
| Construction equipment | 0.14 | | 0.02 |
| Telecom | 23.12 | | 21.67 |
| Others | 29.64 | | 19.30 |
| | | 215.33 | 182.82 |
| Power charges | 83.60 | | 72.73 |
| Less: Recovery from contractors | 1.05 | | 0.62 |
| | | 82.55 | 72.11 |
| Expenses of Diesel Generating sets | | 4.30 | 3.43 |
| Stores consumed | | 0.10 | 0.05 |
| Water charges | | 0.97 | 1.41 |
| Right of Way charges(Telecom) | | 4.25 | 8.28 |
| Patrolling Expenses-Telecom | | 1.69 | 0.89 |
| Last Mile connectivity-Telecom | | 0.12 | |
| Training & Recruitment Expenses | 22.34 | | 22.85 |
| Less:Fees for training and application | 1.09 | | 1.08 |
| | | 21.25 | 21.77 |
| Legal expenses | | 9.28 | 4.93 |
| Professional charges(Including TA/DA) | | 7.20 | 13.48 |
| Consultancy expenses(Including TA/DA) | | 17.22 | 2.97 |
| Communication expenses | | 10.84 | 11.79 |
| Travelling & Conv.exp.(excluding foreign travel) | 83.61 | | 70.82 |
| Foreign travel | 6.92 | | 7.90 |
| | | 90.53 | 78.72 |
| Tender expenses | 16.16 | | 11.14 |
| Less: Sale of tenders | 6.14 | | 3.21 |
| | | 10.02 | 7.93 |
| Remuneration to auditors | | | |
| Statutory Auditors | | | |
| Audit Fees | 0.50 | | 0.46 |
| Tax Audit Fees | 0.13 | | 0.13 |
| In Other Capacity | 0.53 | | 0.63 |
| Out of pocket Expenses | 0.58 | | 0.55 |
| | | 1.74 | 1.77 |
| Advertisement and publicity | | 11.01 | 12.68 |
| Printing and stationery | | 5.34 | 6.16 |
| Books Periodicals and Journals | | 0.93 | 0.56 |
| EDP hire and other charges | | 3.11 | 2.68 |
| Entertainment expenses | | 1.62 | 1.67 |

Note 2.30 - Transmission, Administration and other expenses (contd...)

| | | (₹ in Crore) | |
|---|--------|-------------------------------------|-------------------------------------|
| Description | | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Brokerage & Commission | 0.32 | | 0.21 |
| Research & Development expenses | 3.16 | | 0.48 |
| Rent | 9.93 | | 7.00 |
| Cost Audit Fees | 0.28 | | 0.22 |
| Miscellaneous expenses | 35.30 | | 31.38 |
| Horticulture Expenses | 6.93 | | 4.75 |
| Security Expenses | 61.64 | | 56.51 |
| Hiring of Vehicle | 57.83 | | 50.13 |
| Insurance | 31.13 | | 17.02 |
| Rates and taxes | 7.81 | | 10.23 |
| License Fees to DOT | 14.10 | | 13.40 |
| Bandwidth charges dark fibre lease charges (Telecom) etc | 13.38 | | 12.58 |
| Expenditure on Corporate Social Responsibility (CSR) | 26.97 | | 15.58 |
| Non operating expenses | 1.13 | | 0.26 |
| Transit Accomodation Expenses | 5.50 | | 4.18 |
| Less : Income from Transit Accomodation | 0.66 | | 0.51 |
| | | 4.84 | 3.67 |
| Rebate to Customers | 117.00 | | 102.75 |
| Foreign Exchange Rate Variation (Net of FERV gain & amount recoverable) | 2.23 | | 4.66 |
| Provisions | | | |
| GOI Guarantee Fee | - | | 2.37 |
| Provision-Others | 2.30 | | 1.61 |
| | | 2.30 | 3.98 |
| | | 920.74 | 788.86 |
| Less:Transferred to Expenditure during Construction-Note no 2.32 | 97.46 | | 83.88 |
| | | 823.28 | 704.98 |
| Deferred revenue Expenses written off | | 1.79 | 1.86 |
| Loss on Disposal/Write off of Fixed Assets | | 1.39 | 7.68 |
| Total | | 826.46 | 714.52 |
| Stores consumption included in repair and maintenance | | 51.77 | 39.39 |

Further Notes:

The Company has allowed rebate against payment received through LC / cheques / RTGS for effecting better and timely recovery of dues from State Power Utilities on consistent basis

Note 2.31 - Prior period items

| (₹ in Crore) | | |
|---|-------------------------------------|-------------------------------------|
| Description | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Income | | |
| Transmission charges | (17.20) | - |
| Depreciation written back | 3.30 | 1.25 |
| Deferred Income (Transferred from Grants-in-aid) | 5.66 | 2.19 |
| Lease income-State Sector ULDC | 9.97 | - |
| Consultancy Project Management and Supervision Fees | 2.97 | - |
| Others | 4.24 | 4.79 |
| | <u>8.94</u> | <u>8.23</u> |
| Expenditure | | |
| Power charges | - | 0.02 |
| Rates and taxes | - | 0.57 |
| Depreciation / Ammortisation | 6.30 | 1.12 |
| Depreciation amortised due to FERV | - | 3.27 |
| Unspent CSR Expenditure for earlier years | 13.22 | - |
| Interest | 0.97 | - |
| Employee Remuneration | 7.43 | - |
| Others | (5.66) | 8.83 |
| | <u>22.26</u> | <u>13.81</u> |
| Prior period expenditure/(income)(Net) | 13.32 | 5.58 |
| Less: Transferred to Expenditure during Construction -Note no. 2.32 | 0.41 | 1.21 |
| Total | <u>12.91</u> | <u>4.37</u> |

Note 2.32 - Expenditure during Construction (Net)

| (₹ in Crore) | | |
|--|-------------------------------------|-------------------------------------|
| Description | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| A.Employees Remuneration & Benifits | | |
| Salaries wages allowances and benefits | 321.41 | 241.71 |
| Contribution to provident and other funds | 26.46 | 38.23 |
| Welfare expenses | <u>16.67</u> | <u>20.48</u> |
| Total(A) | 364.54 | 300.42 |
| B.Other Expenses | | |
| Buildings | 1.98 | 1.93 |
| Others | <u>0.96</u> | <u>1.14</u> |
| | 2.94 | 3.07 |
| Power charges | 3.66 | 3.03 |
| Less: Recovered from contractors | <u>0.88</u> | <u>0.37</u> |
| | 2.78 | 2.66 |
| Expenses on Diesel Generating sets | 0.68 | 0.35 |

Note 2.32 - Expenditure during Construction (Net) (contd...)

| | | (₹ in Crore) | |
|--|---------|-------------------------------------|-------------------------------------|
| Description | | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| Water charges | 0.29 | | 0.27 |
| Training & Recruitment Expenses | 0.01 | | |
| Legal expenses | 1.77 | | 1.97 |
| Professional charges | 1.80 | | 2.53 |
| Consultancy expenses | 17.44 | | 2.35 |
| Communication expenses | 2.20 | | 2.97 |
| Travelling & Conv.exp. (Including Foreign Travel) | 29.55 | | 22.16 |
| Tender expenses | 9.46 | | 6.42 |
| Less: Income from sale of tenders | 5.87 | | 3.16 |
| | | 3.59 | 3.26 |
| Payment to Auditors | 0.09 | | 0.54 |
| Advertisement and Publicity | 0.97 | | 0.60 |
| Printing and stationery | 0.58 | | 0.49 |
| EDP hire and other charges | 0.11 | | 0.09 |
| Entertainment expenses | 0.12 | | 0.15 |
| Power Grid Corporation of India Limited | | | |
| Brokerage and commission | 0.05 | | 0.04 |
| Rent | 3.45 | | 2.31 |
| Miscellaneous expenses | 4.32 | | 15.76 |
| Horticulture Expenses | 0.48 | | 0.24 |
| Security Expenses | 6.49 | | 5.78 |
| Hiring of Vehicles | 16.00 | | 14.76 |
| Insurance | 0.23 | | 0.13 |
| Rates and taxes | 1.11 | | 0.75 |
| Guest House Expenses | 0.44 | | 0.67 |
| Less:Income from guest house | 0.03 | | 0.02 |
| | | 0.41 | 0.65 |
| Sub-total | | 97.46 | 83.88 |
| Prior Period adjustment (net) | | 0.41 | 1.21 |
| Total(B) | | 97.87 | 85.09 |
| C.Depreciation/Amortisation | | 9.04 | 8.42 |
| D.Finance Costs | | | |
| a) Interest on Loans from | | | |
| Indian Banks,Financial Institutions and Corporations | 60.07 | | 26.08 |
| Foreign Banks and Financial Institutions | 20.05 | | 22.29 |
| Secured/Unsecured Redeemable Bonds | 1327.87 | | 994.77 |
| | | 1407.99 | 1043.14 |
| b) Other borrowing costs | | | |
| Commitment charges | 2.82 | | 3.68 |
| Guarantee fee | 32.32 | | 35.51 |
| Other Finance Charges | 31.30 | | 1.00 |
| | | 66.44 | 40.19 |
| c) FERV adjustment to borrowing cost | | 246.01 | 0.27 |
| Total (D) | | 1720.44 | 1083.60 |

Note 2.32 - Expenditure during Construction (Net) (contd...)

| Description | (₹ in Crore) | |
|--------------------------------|-------------------------------------|-------------------------------------|
| | For the year ended 31st March, 2012 | For the year ended 31st March, 2011 |
| E. Less: Other Income | | |
| Interest from | | |
| Indian banks | 68.42 | 60.85 |
| Contractors | 178.66 | 74.14 |
| Others | 1.04 | 1.04 |
| | 248.12 | 136.03 |
| Miscellaneous income | 7.72 | 28.03 |
| Hire charges | 0.01 | 0.19 |
| Total (E) | 255.85 | 164.24 |
| GRAND TOTAL (A+B+C+D-E) | 1936.04 | 1313.29 |

OTHER NOTES

2.33. BASIS OF CONSOLIDATION

1.1 The consolidated financial statements relate to Power Grid Corporation of India Limited (the Company), its Subsidiaries and interest in Joint Venture Companies.

a) Basis of Accounting:

- i) The financial statements of the subsidiary companies and Joint Venture Companies in the consolidation are drawn up to the same reporting date as of the Company.
- ii) The consolidated financial statements have been prepared in accordance with the Accounting Standard (AS-21) 'Consolidated Financial Statements' and Accounting Standard (AS-27) 'Financial Reporting of Interest in Joint Venture of Companies (Accounting Standards) Rules, 2006 and generally accepted accounting principles.

b) Principles of Consolidation:

The consolidated financial statements have been prepared as per the following principles:-

- i) The financial statements of the company and its subsidiaries are combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions and unrealised profits or losses.
- ii) The consolidated financial statements include the interest of the company in joint ventures, which has been accounted for using its proportionate consolidation method of accounting and reporting whereby the company's share of each asset, liability, income and expense of a joint controlled entity is considered as a separate line item after eliminating proportionate share of unrealised profit in accordance with the Accounting Standard (AS-27) 'Financial Reporting of Interest in Joint Venture'.
- iii) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements except as otherwise stated in the notes to the accounts.

c) Difference in Accounting Policy and Impact thereon

Company has followed CERC rates for providing depreciation on the Fixed Assets. Some Joint Ventures Companies have followed depreciation rates as provided in Schedule XIV of the Companies Act 1956. However impact of difference in accounting policy is not material.

1.2 The Subsidiaries and Joint Venture Companies considered in the financial statements are as follows:-

| Name of the Company | Proportion (%) of Share holding as on | Proportion (%) of Share holding as on |
|--|---------------------------------------|---------------------------------------|
| | 31.03.2012 | 31.03.2011 |
| Subsidiary Companies | | |
| 1. Power System Operation Corporation Limited (POSOCO) | 100% | 100% |
| 2. Nagapattinam Madhugiri Transmission Company Limited | 100% | - |
| Joint Venture Companies | | |
| Powerlinks Transmission Limited | 49% | 49% |
| Torrent PowerGrid Limited | 26% | 26% |
| Jaypee PowerGrid Limited | 26% | 26% |
| Parbati Koldam Transmission Company Limited | 26% | 26% |
| Teestavalley Power Transmission Limited * | 26% | 26% |
| North East Transmission Company Limited | 26% | 26% |
| National High Power Test Laboratory Private Limited | 25% | 25% |
| Energy Efficiency Services Limited | 25% | 25% |

* Financial statements used for consolidation are unaudited.

Under the Transmission Service Agreement (TSA) with Powerlinks Transmission Ltd, the company has an obligation to purchase the JV company (Powerlinks Transmission Ltd) at a buyout price determined in accordance with the TSA. Such an obligation may result in case JV company (Powerlinks Transmission Ltd) serves a termination notice either on "POWERGRID event of default" or

OTHER NOTES (contd...)

on "force majeure event" prescribed under TSA. No contingent liability on this account has been considered as the same is not ascertainable.

The company's share in assets and liabilities as on 31st March 2012 and income and expenses for the year in respect of above joint venture entities based on their accounts are given below:-

| | (₹ in crore) | |
|---|---------------------|----------------------|
| | 31.03.2012 | 31.03.2011 |
| A. Assets | | |
| • Non Current Assets | | |
| • Fixed Assets | 1415.76 | 1119.93 |
| • Long term loans and advances | 37.50 | 30.64 |
| • Current Assets | 166.14 | 179.78 |
| Total | 1619.40 | 1330.35 |
| B. Equity and Liabilities | | |
| • Shareholders fund | 524.14 | 444.63 |
| • Non current liabilities | 942.76 | 740.08 |
| • Current Liabilities | 152.50 | 145.64 |
| Total | 1619.40 | 1330.35 |
| C. Contingent Liabilities | 9.58 | 0.10 |
| D. Capital Commitments | 231.23 | 305.49 |
| | Current Year | Previous Year |
| E. Income | 164.09 | 157.88 |
| F. Expenses(Including provision for taxes) | 105.67 | 104.95 |

1.3 The Company has made further investment of ₹ 10.92 crore (Previous Year ₹ 19.50 crore) in Jaypee Powergrid Limited, a Joint Venture Company in which 26% shares are held by POWERGRID and balance 74% shares held by Jaiprakash Power Ventures Limited.

1.4 The Company has made further investment of ₹ 61.89 crore (Previous Year ₹ 7.05 crore) in North East Transmission Company Limited, a Joint Venture Company in which 26% shares are held by POWERGRID and balance shares held by ONGC Tripura Power Grid Limited, Assam Electrical Generation Corporation Limited & Govt. of Tripura, Govt. of Mizoram & Govt. of Manipur equally.

1.5 During the year company has made investment of ₹ 0.05 crore in Nagapattanam Madhugiri Transmission Company Ltd. The Company has been taken over from PFC Consulting Ltd. vide share purchase agreement dated 29th March, 2012 to carry over the business awarded under tariff based bidding. After the Transfer Nagapattanam Madhugiri Transmission Company Ltd becomes a wholly owned subsidiary Company of Power Grid Corporation of India Ltd.

2.34 Cash equivalent of deemed export benefits availed of ₹ 209.99 crore in respect of supplies affected for East South Inter Connector-II Transmission Project (ESI) and Sasaram Transmission Project (STP), were paid to the Customs and Central Excise Authorities in accordance with direction from Ministry of Power (Govt. of India) during 2002-03 due to 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 project and the same was capitalised in the books of accounts. Thereafter, World Bank had financed both the ESI project and STP project as originally envisaged and they became eligible for deemed export benefits. Consequently, the company has lodged claims with the Customs and Excise Authorities.

During the year, company has recovered deemed export benefits to the extent of ₹ Nil crore (Previous year ₹ 0.78 crore). The cumulative amount received and de-capitalized upto 31st March 2012 is ₹ 12.12 crore (Previous year ₹ 12.12 crore). The company continued to show the balance of ₹ 197.87 crore as at 31st March 2012 (Previous year ₹ 197.87 crore) in capital cost of the respective assets / projects pending receipt of the same from Customs and Excise Authorities.

2.35 Out of the proceeds of Follow on Public Offer (FPO) made in Financial Year 2010-11, a sum of ₹ 1371.17 crore (Previous Year ₹ 1600 crore) has been utilised during the year for part financing of capital expenditure on the projects specified for utilization and the balance amount of ₹ 750 crore (Previous year ₹ 2121.17 crore) has been invested in Terms Deposits with Banks.

OTHER NOTES (contd...)

- 2.36 a) Certain balances in Loans and Advances & Trade Payable are subject to confirmation and consequential adjustments, if any.
b) In the opinion of the management, the value of any of the assets other than fixed assets and non current investments on realization in the ordinary course of business will not be less than value at which they are stated in the Balance Sheet.
- 2.37 Information in respect of cost plus consultancy contracts, considering the same as consultancy business in view of Accounting Standard (AS)-7 (Revised 2002) "Construction Contracts " is provided as under :

| | | (₹ in crore) | |
|-------------|--|--------------------------|--------------------------|
| Particulars | | Year ended 31.03.2012 | Year ended 31.03.2011 |
| i) | The amount of revenue recognised on cost plus consultancy contract works | 200.88 | 212.03 |
| 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 | 10243.19 | 9510.18 |
| iv) | Cumulative amount of advance received from customers | 12045.80 | 11078.81 |
| v) | Amount of retention money with customers | 0.00 | 49.58 |
| vi) | Gross amount due from customers for contract works as an asset | 13.58 | 15.38 |
| vii) | Gross amount due to customers for contract works as a liability | 1415.10 | 1845.65 |

- 2.38 The company has been entrusted with the responsibility of billing collection and disbursement (BCD) of the transmission charges on behalf of all the interstate transmission licensees (ISTS) through the mechanism of the Point of Connection charges (POC) introduced w.e.f. 01-07-2011 which involves billing based on approved drawl/injection of power in place of old mechanism based on Mega Watt allocation of power by Ministry of Power. By this mechanism, revenue of the company will remain unaffected.

Some of the beneficiaries aggrieved by the POC mechanism have preferred appeal before various High Courts of India and continue to make payment as per old system of billing. Due to this, an unrealized amount of ₹ 141.56 crore is included in Trade Receivables. The company has preferred an appeal before the Supreme Court for transferring all the cases in the Delhi High Court and also requested for directing the agitating states to pay full transmission charges as per new methodology pending settlement of the matter.

- 2.39 (i) Foreign Exchange Rate Variation (FERV) loss (to the extent not exceeding the difference between the Interest on foreign currency borrowings and local currency borrowings) has been adjusted to borrowing cost amounting to ₹ 694.86 crore (net of ₹ 246.01 crore FERV loss for the construction projects) {previous year FERV loss of ₹ 74.19 crore (net of ₹ 0.27 crore FERV loss for the construction projects)} towards loan liabilities attributable to fixed assets/CWIP.
- (ii) FERV Loss of ₹ 882.14 crore (previous year FERV loss ₹ 15.71 crore) has been adjusted in the respective carrying amount of Fixed Assets/Capital work in Progress (CWIP)/lease receivables.
- (iii) FERV Gain of ₹ Nil crore (previous year FERV gain of ₹ 77.96 crore) has been recognized in the Statement of Profit and Loss in respect of loans contracted on or after 1st April, 2004 in terms of provisions of AS-11 (revised 2003)
- 2.40 FERV Loss of ₹ 610.43 crore (previous year FERV loss ₹ 0.71 crore) has been shown as FERV Recoverable in statement of Profit and Loss.
- 2.41 Accounting of FERV as stated in note no. 2.39 and 2.40 above, has resulted in decrease in profit for the year by ₹ 84.43 crore (previous year increase in profit by ₹ 4.48 crore).
- 2.42 Effect due to change in accounting policies during the year -
- i) In view of option allowed by Ministry of Corporate Affairs vide its notification dated 29.12.2011 on Accounting Standard-11, the Company, during the year, has capitalized the Foreign Exchange Rate Variation (FERV) loss arising on account of settlement/restatement of long term monetary liabilities relating to depreciable capital assets. Consequently, FERV loss, which has hitherto charged to Profit & Loss Account has been adjusted in cost of related Fixed Assets/Capital work-in-progress. As a result, profit before tax for the year ended 31.03.2012 after considering the amount of FERV loss recoverable from beneficiaries as per CERC Tariff Regulations 2009 is higher by ₹ 11.93 crore.
- ii) Intangible Assets -Right of Way (Afforestation expenses) were hitherto amortised over the useful life of related assets. During the year company has changed accounting policy in this regard and now these assets are being amortised following

OTHER NOTES (contd...)

the rates and methodology notified by CERC Tariff Regulation with retrospective effect from 01.04.2009. This has resulted in increase in amortisation for the year and Prior Period amortisation of ₹ 7.62 crore and ₹ 11.40 crore respectively.

- 2.43 Unspent expenditure of ₹ 2.04 crore out of the budget for the year towards corporate social responsibility(CSR) which was hitherto transferred to CSR reserve by appropriating profit is now provided for by way of charge to statement of profit and loss. An amount of ₹ 13.22 crore appropriated to CSR reserve in earlier years has been treated as prior period item .
- 2.44 Borrowing cost capitalised during the year is ₹ 1720.44 Crore (Previous Year ₹ 1083.60 crore)
- 2.45 The guidelines issued by the Department of Public Enterprises (DPE) provide for ceiling of percentage of Performance Related Pay (PRP) payable to executives and non-unionized supervisors within the overall limit of 5% of the year's Profit Before Tax. Provision for PRP in the accounts from financial year 2007-08 onwards are made based on the basis of guidelines issued by DPE. Pending approval of the PRP scheme for non-unionized supervisors, payment are made to executives on provisional basis as per PRP scheme and payment to supervisor is being made in accordance to the old "Performance linked Incentive scheme". Provision net of payment outstanding as on 31.03.2012 is ₹ 224.22 (Previous year ₹ 195.99)
- In respect of Workmen, incentive is being paid as per old "Performance linked incentive scheme".
- 2.46 Disclosures as per Accounting Standards (AS) 15

Defined employee benefit schemes are as under:-

A. Provident Fund

Company pays fixed contribution to Provident Fund at predetermined rate to a separate trust, which invests the funds in permitted securities. Contribution to family pension scheme is paid to the appropriate authorities. The contribution to the fund for the period is ₹ 60.88 crore(previous year ₹ 58.17 crore) recognized as expense and is charged to Statement of Profit and Loss. The obligation of the company is limited to such fixed contribution and to ensure a minimum rate of interest on contributions to the members as specified by GOI. As per report of actuary over all interest earning and cumulative surplus 'is more' than statutory interest payment requirement. Hence, no further provision is considered necessary.

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 on superannuation, resignation, termination, disablement or on death subject to a maximum of ₹ 10 lacs. 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 on the Balance sheet date.

C. Post-Retirement Medical Facility (PRMF)

The company has Post-Retirement Medical Facility (PRMF), under which retired employees 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 liability for the same is recognised on the basis of actuarial valuation on annual basis on the Balance sheet date.

D. Other Defined Retirement Benefits (ODRB)

The Company has a scheme for settlement at the time of superannuation at home town for employees and dependents to superannuated employees. The scheme is unfunded and liability for the same is recognised on the basis of actuarial valuation on annual basis on the Balance sheet date.

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

- a) Expenses recognised in Statement of profit and loss.

| Description | (₹ in crore) | | | | | |
|--|--------------|---------------|--------------|---------------|--------------|---------------|
| | GRATUITY | | PRMF | | ODRB | |
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Current Service Cost | 18.32 | 16.68 | 5.08 | 4.86 | 0.68 | 0.58 |
| Interest cost on benefit obligation | 28.83 | 19.78 | 10.64 | 7.10 | 0.97 | 0.86 |
| Expected return on plan assets | (28.83) | (21.04) | - | (0.07) | - | - |
| Net actuarial (gain)/loss recognized in the year | 10.08 | 80.67 | 21.37 | 33.98 | 0.74 | -0.02 |
| Expenses recognized in the profit and loss a/c. | 28.40 | 96.09 | 37.09 | 45.87 | 2.39 | 1.42 |

OTHER NOTES (contd...)

- b) Actual return on plan assets is ₹ 27.77 crores (previous year ₹ 21.74 crores)
c) The amount recognized in the Balance Sheet

(₹ in crore)

| Description | GRATUITY | | PRMF | | ODRB | |
|---|--------------|---------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Present value of obligation as at 31/03/2012(i) | 380.01 | 359.68 | 156.91 | 125.16 | 13.44 | 11.43 |
| Fair value of plan assets as at 31/03/2012 (ii) | 376.87 | 314.83 | - | - | - | - |
| Difference (ii) – (i) | (3.14) | (44.85) | (156.91) | (125.16) | (13.44) | (11.43) |
| Net asset (liability) recognized in the Balance Sheet | (3.14) | (44.85) | (156.91) | (125.16) | (13.44) | (11.43) |

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

(₹ in crore)

| Description | GRATUITY | | PRMF | | ODRB | |
|--|--------------|---------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year | Current Year | Previous Year |
| Present value of obligation as at 01.04.2011 | 339.18 | 266.06 | 125.15 | 82.82 | 11.40 | 10.48 |
| Interest cost | 28.83 | 19.78 | 10.64 | 7.10 | 0.97 | 0.86 |
| Current Service Cost | 18.32 | 16.69 | 5.08 | 4.86 | 0.68 | 0.62 |
| Benefits paid | (16.63) | (26.35) | (5.33) | (3.60) | (0.35) | (0.50) |
| Net actuarial (gain)/loss on obligation | 10.31 | 83.49 | 21.37 | 33.98 | 0.74 | (0.03) |
| Present value of the defined benefit obligation as at 31.03.2012 | 380.01 | 359.67 | 156.91 | 125.16 | 13.44 | 11.43 |

- e) Changes in the fair value of plan assets:

(₹ in crore)

| Description | GRATUITY | |
|---|--------------|---------------|
| | Current Year | Previous Year |
| Fair value of plan assets as at 01/04/2011 | 339.18 | 267.91 |
| Expected return on plan assets | 28.83 | 21.04 |
| Contribution by employer | 25.26 | 48.67 |
| Benefits paid | (16.63) | (25.60) |
| Actuarial gain/(loss) | 0.23 | 2.81 |
| Fair value of plan assets as at 31/03/2012 | 376.87 | 314.83 |

- f) During the year the company has provided liability for pension contribution payable as superannuation benefits as per DPE Guidelines amounting to ₹ 33.44 crore (Previous year reversal of ₹ 47.36 crore). The Scheme of superannuation benefits is yet to be finalized.

E. Other Employee Benefits

Provision for Leave encashment amounting to ₹ 65.05 crore (Previous Year ₹ 16.52 crore) for the year has been made on the basis of actuarial valuation at the year end and charged to Statement of Profit and Loss.

Provision for Long Service Award amounting to ₹ 8.67 crores (including for earlier years ₹ 7.43 crore) have been made on the basis of actuarial valuation at the year end.

F. Details of the Plan Asset (Gratuity)

The details of the plan assets at cost as on 31st March, 2012 are as follows:-

(At Purchase Value) (₹ in crore)

| | Current Year | Previous Year |
|-----------------------------------|---------------|---------------|
| i) State Government Securities | 41.92 | 39.38 |
| ii) Central Government Securities | 64.18 | 55.53 |
| iii) Corporate Bonds/Debentures | 242.55 | 203.50 |
| iv) RBI Special Deposit | 5.13 | 5.13 |
| v) Other Assets | 23.09 | 10.39 |
| Total | 376.87 | 313.93 |

OTHER NOTES (contd...)

G. Actuarial Assumptions

Principal assumptions used for actuarial valuation are:

- i) Method used - Projected unit credit (PUC)
- ii) Discount rate - 8.5% (Previous Year 8 %)
- iii) Expected rate of return on assets (Gratuity only) – 8.50 % (Previous Year 8.50%)
- iv) Future salary increase- 6% (Previous Year 5.5%)

The estimate of future salary increases, considered in actuarial valuation, takes into account (i) inflation, (ii) Seniority (iii) Promotion and (iv) Other relevant factors, such as supply and demand in the employment market. Further the expected return on plan assets is determined considering several applicable factors mainly the composition of plan assets, assessed risk of asset management and historical return for plan assets.

H. The Company best estimate of contribution towards gratuity for the financial year 2012-13 is ₹ 22.46 crore (previous year ₹ 9.32 crore)

I. The effect of the percentage point increase/decrease in the medical cost of PRMF will be as under:-

| (₹ in crore) | | |
|-----------------------------|-------------|-------------|
| Particulars | Increase by | Decrease by |
| Service and Interest Cost | 2.12 | 3.65 |
| Present value of obligation | 14.13 | 16.74 |

J. Experience Adjustments

| (₹ in crore) | | |
|------------------------------|--------------------------|--------------------------|
| | Year ended 31.03.2012 | Year ended 31.03.2011 |
| Gratuity | | |
| i) Plan assets – Loss/(Gain) | (0.72) | (2.82) |
| ii) Obligation- Loss/(Gain) | 10.90 | 81.11 |
| PRMF | | |
| Obligation – Loss/(Gain) | 20.86 | 32.40 |
| ODRM | | |
| Obligation – Loss/(Gain) | 0.79 | (0.02) |

2.47 Segment information:

a) Business Segments

The company's principal business is transmission of bulk power across different States of India. However, Power System Operation Assets, ULDC, RLDC, telecom and consultancy business are also treated as a reportable segment in accordance with para 28 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.

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 long term and short term borrowings, current and non current liabilities and provisions

OTHER NOTES (contd...)

Segment Reporting

(₹ in crore)

| | Business Segments | | | | | | | | | | | | | |
|--|-------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | Transmission | | Consultancy | | Telecom | | RLDCs | | ULDCs | | 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 | Current Year | Previous Year |
| Revenue: | | | | | | | | | | | | | | |
| Revenue from Operations | 9508.63 | 7838.22 | 284.70 | 286.76 | 201.19 | 190.89 | 131.15 | 164.27 | 185.85 | 131.62 | | | 10311.52 | 8611.76 |
| Inter Segment Revenue | | | (3.05) | 12.59 | 8.81 | (3.69) | 30.44 | 7.67 | | | (36.20) | (16.57) | | |
| Net Revenue from Operations | 9508.63 | 7838.22 | 281.65 | 299.35 | 210.00 | 187.20 | 161.59 | 171.94 | 185.85 | 131.62 | (36.20) | (16.57) | 10311.52 | 8611.76 |
| Segment result | 4360.35 | 3382.29 | 164.85 | 152.69 | 45.77 | 30.85 | 51.01 | 41.95 | 50.88 | 122.36 | | | 4672.86 | 3730.14 |
| Unallocated Corporate interest and other income | | | | | | | | | | | | | 88.72 | 118.91 |
| Unallocated corporate expenses, interest and finance charges | | | | | | | | | | | | | 71.92 | 19.76 |
| Profit Before Tax | | | | | | | | | | | | | 4689.66 | 3829.29 |
| Provision for Tax | | | | | | | | | | | | | 1386.67 | 1157.38 |
| Profit after Tax | | | | | | | | | | | | | 3302.99 | 2697.91 |
| Other information: | | | | | | | | | | | | | | |
| Segment Assets | 82626.48 | 65929.04 | 2941.03 | 3071.98 | 817.29 | 791.75 | 861.27 | 1211.82 | 1009.20 | 1021.31 | | | 88255.27 | 72025.90 |
| Unallocated Corporate and other assets | | | | | | | | | | | | | 5884.72 | 5636.30 |
| Total Assets | | | | | | | | | | | | | 94139.99 | 77662.20 |
| Segment Liabilities: | 61837.00 | 47802.02 | 1772.43 | 2066.72 | 976.00 | 708.63 | 747.76 | 1093.23 | 605.22 | 855.51 | | | 65938.41 | 52526.11 |
| Unallocated Corporate and other liabilities | | | | | | | | | | | | | 4618.37 | 3718.50 |
| Total liabilities | | | | | | | | | | | | | 70556.78 | 56244.61 |
| Depreciation and Amortization | 2478.87 | 2127.31 | 0.43 | 0.36 | 56.02 | 49.31 | 20.11 | 63.81 | 81.96 | 32.13 | | | 2637.39 | 2272.92 |
| Capital Expenditure | 15838.65 | 10538.75 | 0.31 | 0.23 | 60.83 | 24.54 | 6.87 | 6.77 | 60.21 | 2.12 | | | 15966.87 | 10572.41 |

d) The operation of the company mainly carried out with in the country and therefore there is no reportable geographical segment.

OTHER NOTES (contd...)

2.48 Related Party Disclosures:-

a) List of Related Parties:-

i) Key Management Personnel

| | |
|---------------------|---|
| Sh. R.N. Nayak | Chairman and Managing Director (w.e.f. 1 st September, 2011). He ceased to be Director (Operations) w.e.f. 1 st September, 2011 |
| Sh. I.S. Jha | Director (Projects) |
| Sh. R.T. Agarwal | Director (Finance) w.e.f. 29 th July, 2011 |
| Sh. V.M. Kaul | Director(Personnel) (Superannuated on 31 st March, 2012) |
| Sh. S.K. Chaturvedi | Chairman and Managing Director (Superannuated on 31 st August, 2011) |
| Sh. J. Sridharan | Director(Finance) (Superannuated on 30 th April, 2011) |

ii) Joint Ventures:-

- Powerlinks Transmission Limited
- Torrent Power Grid Limited
- Jaypee Powergrid Limited
- Parbati Koldam Transmission Company Ltd
- Teestavalley Power Transmission Limited
- North East Transmission Company Limited
- National High Power Test Laboratory Private Limited
- Energy efficiency Services Limited.

b) Transactions with the related parties at 2.48 (a) above are as follows:

| (₹ in crore) | | |
|--|--------------|---------------|
| Particulars | Current year | Previous Year |
| Transactions during the year for services provided by the company* | 50.94 | 65.34 |
| Amount recoverable from related parties | 17.04 | 18.02 |
| Amount payable to related parties | 30.04 | 17.40 |
| Investment made during the year | 72.81 | 66.71 |
| Dividend Received | 44.72 | 74.79 |
| Deputation of Employees | 0.66 | 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.

- Remuneration to whole time directors including chairman and managing director is ₹ 2.10 crore previous year ₹ 1.77 crore) and amount of dues outstanding to the company as on 31st March, 2012 are ₹ 0.05 crore (previous year ₹ 0.07 crore).

2.49 Disclosures regarding leases

a) Finance Leases :-

Long Term Loans and Advances and Short Term Loans and Advances 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” notified under the Companies Act, 1956. The reconciliation of the lease receivables (as per project cost data submitted to / approved by CERC for tariff fixation) is as under:

| (₹ in crore) | | | |
|--------------|---|----------------------------|----------------------------|
| Particulars | | Amount as on 31.03.2012 | Amount as on 31.03.2011 |
| | Gross value of assets acquired and leased at the beginning of the year. | 994.06 | 989.03 |
| Add | Adjustment for gross value of assets acquired prior to the beginning of the year. | 1.86 | 5.03 |
| | Revised Gross value of the assets at the beginning of the year. | 995.92 | 994.06 |
| Less | Capital recovery provided up to the beginning of the year. | 390.23 | 325.51 |
| Add | Capital recovery for assets acquired prior to the beginning of the year. | 78.98 | 2.06 |

OTHER NOTES (contd...)

(₹ in crore)

| Particulars | Amount as on 31.03.2012 | Amount as on 31.03.2011 |
|---|----------------------------|----------------------------|
| Revised Capital recovery provided up to the beginning of the year. | 469.21 | 327.57 |
| Capital recovery outstanding as on 31 st March of last financial year. | 526.71 | 666.49 |
| Less Capital recovery for the current year. | 113.24 | 62.66 |
| Lease receivables | 413.47 | 603.83 |

Gross investment in lease and present value of minimum lease payments receivables as at 31st March, 2012 for each of the periods are as under:

(₹ in crore)

| Particulars | Amount as on 31.03.2012 | Amount as on 31.03.2011 |
|--|----------------------------|----------------------------|
| Gross investment in Lease | 531.02 | 819.40 |
| Un-earned Finance Income | 117.55 | 215.57 |
| Present value of Minimum Lease Payment (MLP) | 413.47 | 603.83 |

The unearned finance income as on 31st March, 2012 is ₹ 117.55 crore (previous year ₹ 215.57 crore).

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

(₹ in crore)

| Particulars | Gross Investment in Lease | | Present Value of MLPs | |
|---|---------------------------|---------------|-----------------------|---------------|
| | 2011-12 | 2010-11 | 2011-12 | 2010-11 |
| Not later than one year | 90.67 | 114.83 | 59.55 | 67.31 |
| Later than one year and not later than five years | 341.90 | 459.30 | 266.40 | 322.14 |
| Later than five years | 98.45 | 245.27 | 87.52 | 214.38 |
| Total | 531.02 | 819.40 | 413.47 | 603.83 |

b) Operating leases:-

The company's significant leasing arrangements are in respect of operating leases of premises for residential use of employees, offices and guest houses/transit camps are usually renewable on mutually agreed terms but are not non-cancellable. Employees' remuneration and benefits include ₹ 37.10 crore (Previous Year ₹ 26.67 crore) towards lease payments, net of recoveries, in respect of premises for residential use of employees. Lease payments of ₹ 8.14 crore (Previous Year ₹ 6.27 crore) in respect of premises for offices and guest house/transit camps are shown under Rent in Note 2.30 Transmission, Administration and Other expenses.

2.50 The elements considered in calculation of Earning Per Share (Basic and Diluted) are as under:

| | Current Year | Previous Year |
|---|--------------|---------------|
| Net Profit after tax used as numerator (₹ in Crore) | 3302.99 | 2671.91 |
| Weighted average number of equity shares used a denominator | 4629725353 | 4357592057 |
| Earning per share (Basic & Diluted) (in ₹) | 7.14 | 6.13 |
| Face Value per share (in ₹) | 10.00 | 10.00 |

2.51 In accordance with AS-28 "Impairment of Assets", impairment analysis of assets of transmission activity & telecom activity of the company by evaluation of its cash generating units, was carried out by an outside agency in the year 2004-05 & 2006-07 respectively and since recoverable amount was more than the carrying amount thereof, no impairment loss was recognised. The company has assessed as on the balance sheet date whether there are any indications with regard to impairment of any of the assets. Based on such assessment it has been ascertained that no potential loss is present and therefore no formal estimate of recoverable amount has been made. Accordingly, no impairment loss has been provided in the accounts.

2.52 Estimated amount of contracts remaining to be executed on capital account and not provided for is ₹ 42187.30 crore (previous year ₹ 30840.95 crore).

2.53 Contingent Liabilities

1. Claims against the Company not acknowledged as debts in respect of :

(i) Capital Works

Some of the contractors for supply and installation of equipments and execution of works at our projects have lodged claims on the company for ₹ 73.15 crore (previous year ₹ 1780.92 crore) seeking enhancement of the contract price,

OTHER NOTES (contd...)

revision of work schedule with price escalation, compensation for the extended period of work, idle charges etc. These claims are being contested by the Company as being not admissible in terms of the provisions of the respective contracts.

The company is pursuing various options under the dispute resolution mechanism available in the contract for settlement of these claims. It is not practicable to make a realistic estimate of the outflow of resources, if any, for settlement of such claims pending resolution.

(ii) Land Compensation cases

In respect of land acquired for the projects, the land losers have claimed higher compensation before various authorities/courts which are yet to be settled. In such cases, contingent liability of ₹ 1765.09 crore (previous year ₹ 1328.87 crore) has been estimated.

(iii) Other claims

In respect of claims made by various State/Central Government Departments/Authorities towards building permission fees, penalty on diversion of agriculture land to non-agriculture use, Nala tax, water royalty etc. and by others, contingent liability of ₹ 11.72 crore (previous year ₹ 52.92 crore) has been estimated.

(iv) Disputed Tax/Sales Tax/Excise Matters

Disputed Income Tax/Sales Tax/Excise Matters are pending before various Appellate Authorities amounting to ₹ 257.86 crore (previous year ₹ 102.57 crore) are disputed by the Company and contested before various Appellate Authorities. Many of these matters are disposed off in favour of the company but are disputed before higher authorities by the concerned departments.

(v) Others

a) Other contingent liabilities amounts to ₹ 92.76 crore (previous year ₹ 107.18 crore)

b) Some of the beneficiaries have filed appeals against the tariff orders of the CERC. The amount of contingent liability in this regard is not ascertainable.

2. Special purpose vehicle (SPV) company namely Nagapattinam Madugiri Transmission Company Ltd. (wholly owned subsidiary) has been taken over to carry over the business awarded under Tariff based bidding. Bank guarantee of ₹ 45.00 crore has been given by the company on behalf of SPV towards performance of the work awarded.

2.54 a) Figures have been rounded off to nearest rupees in crore up to two decimal.

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

For and on behalf of the Board of Directors

(Divya Tandon)
Company Secretary

(R.T Agarwal)
Director (Finance)

(R. N. Nayak)
Chairman & Managing Director

For S.K. Mehta & Co.
Chartered Accountants
Firm Regn No. 000478 N

As per our report of even date
For Chatterjee & Co.
Chartered Accountants
Firm Regn No. 302114 E

For Sagar & Associates
Chartered Accountants
Firm Regn No. 003510 S

(S.K.Mehta)
Partner
Membership No. 010870

(S.K.Chatterjee)
Partner
Membership No. 003124

(V.Vidyasagar Babu)
Partner
Membership No. 027357

Place: New Delhi
Date: 29th May, 2012

Auditors Report on Consolidated Financial Statement

To The Board of Directors

Power Grid Corporation of India Limited

1. We have audited the attached Consolidated Balance Sheet of Power Grid Corporation of India Limited (the Company) and its Subsidiaries and Joint Ventures (collectively referred to as Power Grid Corporation of India Limited Group) as at 31st March, 2012, and also the Consolidated Statement of Profit & Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management and have been prepared by the Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the 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. We did not audit the financial statements of the following Subsidiaries and Joint Ventures of the Company, whose financial statements reflect total assets of ₹ 2508.03 Crore as at 31st March, 2012, the total revenue of ₹ 378.44 Crore and net cash flows amounting to (-) ₹ 343.79 Crore for the year ended 31st March, 2012. These financial statements have been audited (other than an unaudited Joint Venture Company Teestavalley Power Transmission Limited) by other auditors, whose reports have been furnished to us and our opinion, in so far as it relates to the amount included in respect of the Subsidiaries and Joint Ventures, is based solely on the reports of the other auditors. The details of the assets, revenues and net cash flows in respect of these Subsidiaries and Joint Ventures to the extent to which they are reflected in the consolidated financial statements are given below:

(₹ in Crore)

| Name of the Companies | Total Assets | Total Revenues | Net Cash Flows |
|---|----------------|----------------|-----------------|
| Subsidiaries | | | |
| Power System Operation Corporation Limited (POSOCO) | 869.12 | 214.34 | (319.48) |
| Nagapattinam Madhugiri Transmission Company Limited | 19.51 | NIL | - |
| Joint Ventures | | | |
| Powerlinks Transmission Limited | 648.92 | 146.63 | (24.23) |
| Torrent Power Grid Limited | 89.25 | 14.28 | 0.54 |
| Jaypee Power Grid Limited | 256.02 | NIL | (11.13) |
| Parbati Koldam Transmission Company Limited | 75.60 | 0.02 | 1.56 |
| Teestavalley Power Transmission Limited | 88.49 | NIL | (2.17) |
| North East Transmission Company Limited | 421.27 | NIL | 3.68 |
| National High Power Test Laboratory Private Limited | 8.68 | NIL | 4.28 |
| Energy Efficiency Services Limited | 31.17 | 3.17 | 3.16 |
| Total | 2508.03 | 378.44 | (343.79) |

4. We draw attention to Note No.2.25(a) & 2.25(c) regarding provisional recognition of transmission charges.
5. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements' and Accounting Standard (AS) 27, 'Financial Reporting of Interests in Joint Ventures' of the Companies (Accounting Standards) Rules, 2006.
6. Further to our comments in para 3 & 4 above, we report that on the basis of information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Power Grid Corporation of India Ltd. group to the extent received as stated above, we are of the opinion that the said consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:

Auditors Report on Consolidated Financial Statement (contd...)

- i) in case of Consolidated Balance Sheet, of the state of affairs of the Power Grid Corporation of India Ltd. Group as at 31st March, 2012;
- ii) in case of Consolidated Statement of Profit & Loss, of the profit for the year ended on that date; and
- iii) in case of Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For S. K. MEHTA & CO.

Chartered Accountants
Firm Registration No.000478N

For CHATTERJEE & CO.

Chartered Accountants
Firm Registration No. 302114E

For SAGAR & ASSOCIATES

Chartered Accountants
Firm Registration No. 003510S

(S.K. Mehta)

Partner
Membership No. 010870

(S.K. Chatterjee)

Partner
Membership No. 003124

(V. Vidyasagar Babu)

Partner
Membership No. 027357

Place : New Delhi

Dated : 29th May, 2012



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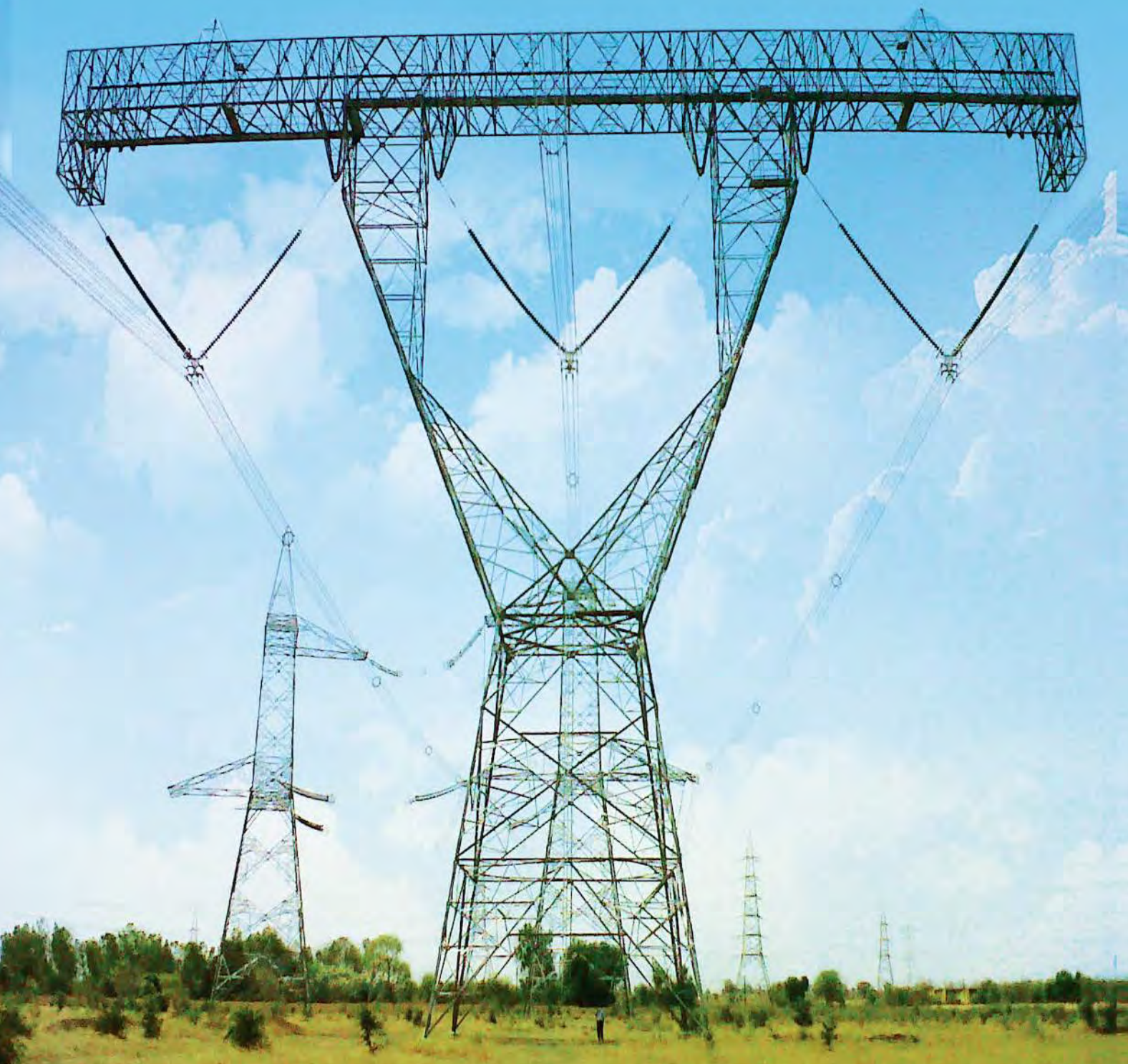


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1200 kV Tower





POWER GRID CORPORATION OF INDIA LIMITED

(A Government of India Enterprise)

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

EPABX: 011-26560115, 26560193

Corporate Office: Saudamini, Plot No.2, Sector 29, Gurgaon -122001(Haryana), INDIA

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Delivering Smart Transmission Solutions...