



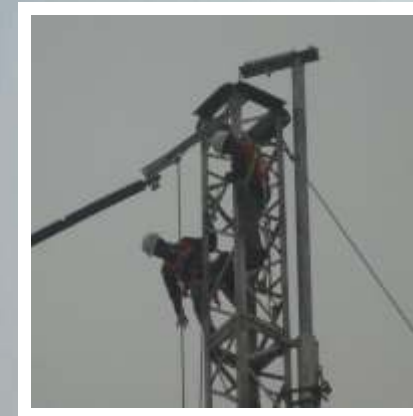
**POWERLINKS TRANSMISSION LTD.**  
(A Joint Venture of TATA POWER & POWERGRID)

Registered & Corporate Office :  
10th Floor, DLF Tower A, District Centre Jasola, New Delhi – 110 025  
Tel: +91 11 45159500 Fax: +91 11 45159555  
Email: powerlinks@powerlinks.co.in Website: www.powerlinks.co.in  
CIN: U40105DL2001PLC110714



**POWERLINKS TRANSMISSION LTD.**

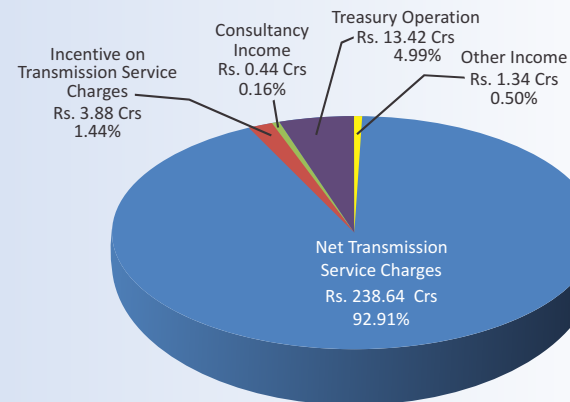
**13th  
Annual Report  
2013-2014**



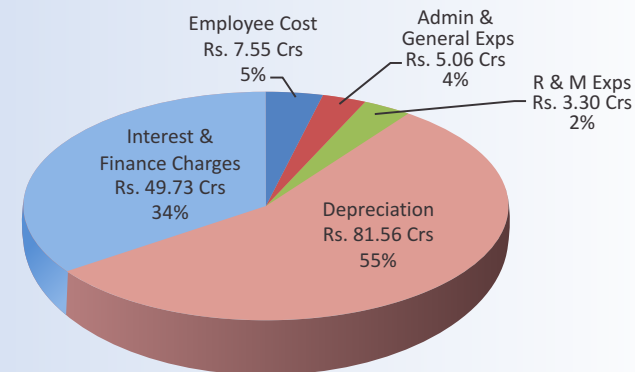
**Engage • Integrate • Transform**

## Financial Highlights

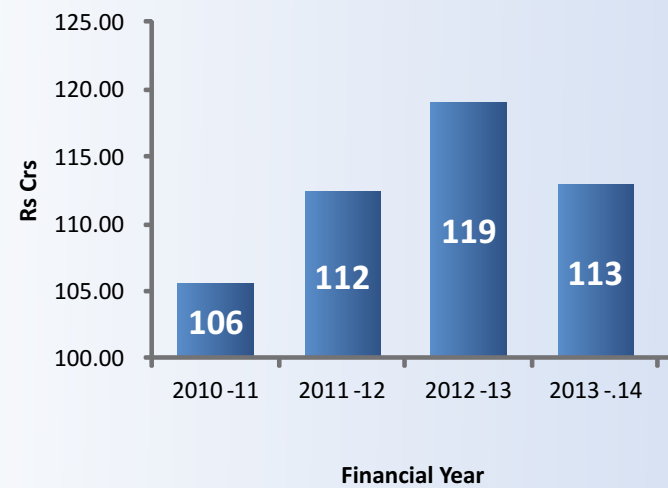
### BREAK UP OF TOTAL INCOME FOR FINANCIAL YEAR 2013-14



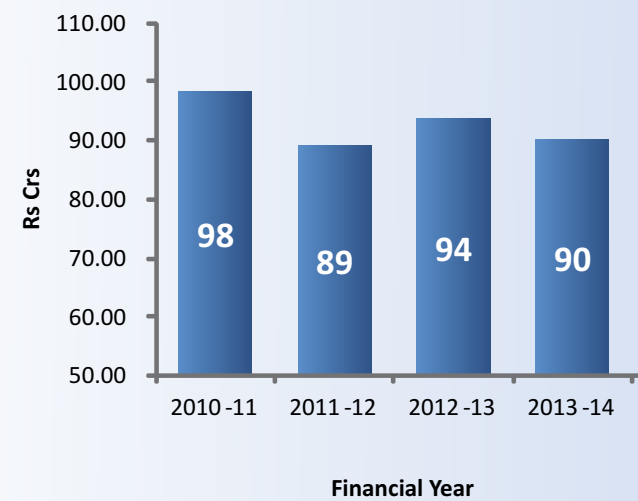
### BREAK UP OF EXPENSES FOR FINANCIAL YEAR 2013-14



### PROFIT AFTER TAX



### DIVIDEND



## Board of Directors



Mr. R.N. Nayak  
Chairman



Mr. S. Padmanabhan  
Director



Mr. I.S. Jha  
Director



Mr. R.T. Agarwal  
Director



Mr. Ravi P. Singh  
Director



Mr. Sanjeev Mehra  
Director



Mr. Arun Kumar  
Srivastava  
Director



Mr. Ajay Kapoor  
Director



Mr. Arvind Singh  
Executive Director  
& CEO

## Management Team



Mr. C. B. Samanta  
Sr. General Manager  
(P&O)



Mr. Prakash Kumar  
DGM  
(HR & Admin.)



Mr. Anand Singh Gusain  
Asst. General Manager  
(Engg.)



Mr. Suranjit Mishra  
Chief  
Finance & Accounts

### Registered Office:

10th Floor, DLF Tower-A,  
District Centre Jasola,  
New Delhi-110 025

### Auditors:

Deloitte Haskins & Sells  
Chartered Accountants

### Bankers:

State Bank of India

CONTENTS	
Directors' Report	2
Management Discussion and Analysis	8
Auditors' Report	10
Balance Sheet as at 31st March, 2014	14
Statement of Profit & Loss Account	15
Cash Flow Statement	16
Notes Forming Part of the Financial Statements	17
Report on Corporate Governance	41

# Directors' Report

To  
The Members,

The Directors are hereby pleased to present their 13th Annual Report on the Company's operations and financial statements for the financial year ended on 31st March, 2014.

## 1.0 Financial highlights

### 1.1 Financial results

	FY 2013-14 (Rs. Cr)	FY 2012-13 (Rs. Cr)
(a) Operating Income	254.21	244.38
(b) Operating Expenditure	15.91	17.59
(c) Operating Profit	238.30	226.79
(d) Add: Other Income	14.76	15.49
(e) Less: Interest and Finance Charges	49.73	56.38
(f) Profit before Depreciation and Tax	203.33	185.90
(g) Less: Depreciation	81.56	81.58
(h) Profit before Tax	121.77	104.32
(i) Less: Provision for Taxes	8.87	(14.75)
(j) Profit after Tax	112.90	119.07
(k) Less: Insurance reserve	1.52	0.59
Distributable profit	111.38	118.48
Profit & Loss A/c (Opening balance)	3.23	2.73
Distributable profit including P&L opening balance which the Directors have appropriated as under:	114.61	121.21
(i) Interim Dividend	79.56	67.86
(ii) Proposed Dividend	10.53	25.74
(iii) Tax on Dividend (Interim + Proposed)	15.31	15.38
(iv) General Reserve	8.47	9.00
Total	113.87	117.98
Profit & Loss A/c (closing balance)	0.74	3.23

**1.2** The total capital expenditure on the project as approved by Central Electricity Regulatory Commission as of 31st March, 2014 is Rs. 1553.28 crore.

### 2.0 Operational Excellence

The average availability of transmission line was maintained at 98.81% for Eastern Region and 99.97% for Northern Region as against minimum stipulated availability of 98% during the Financial Year 2013-14.

**3.0** The Regulatory issues are covered under the Management Discussion & Analysis section.

### 4.0 Dividend

The Directors are pleased to recommend a final dividend of 2.25% amounting to Rs 10.53 crore for the financial year 2013-14. The Company has declared an interim dividend @17% amounting to Rs. 79.56 crore in March 2014. Thus, the aggregate dividend is 19.25% amounting to Rs 90.09 crore for FY 2013-14 (Rs. 93.60 crore for the financial year 2012-13). This shall be paid after your approval at the Annual General Meeting. The dividend distribution tax on the same works out to Rs 15.31 crore (Rs. 15.38 crore for the financial year 2012-13).



Mid-span joint replacement of 400kV  
Purnea - Muzaffarpur D/C (Quard line)

### 5.0 Business Development & Consultancy

The Company continues to explore potential opportunities of business development.

### 6.0 Human Resource Development

The Company recognizes the contribution of its human capital. The Company secured highest score in terms of Employee Engagement and Satisfaction Survey conducted by Aon Hewitt amongst Tata Power group companies for FY 2012-13. Based on the results, series of measures have been undertaken for employee engagement to retain suitable workforce. Reward and Recognition Policy has been launched. Employee Communication meets are held periodically wherein the employees share their thoughts and opinions with the senior management. Several other platforms have been developed where employees across sites meet the senior leadership.



Insulator replacement work in progress on  
400kV Siliguri-Purnea D/C (Quard line)

Based on the training requirements, the Company has provided 7.11 mandays of training during the year as against the target of 6.0 mandays. Tailor made training programme was organized at National Power Training Institute (NPTI), Faridabad, Haryana to enhance the skills of Operations & Maintenance staff.

The particulars of employees who were in receipt of remuneration in excess of the limit prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended is given in Annexure I.

### 7.0 Affirmative Action

In line with Tata Power group policy, your Company has prepared its Affirmative Action Policy. Through this Policy, the Company has resolved to enlist its resources to improve lives of the disadvantaged sections of the society by means of its committed actions in the arena of Education, Employability, Entrepreneurship and Employment keeping merit as the precursor.

## 8.0 Environment, Sustainability and Social Responsibility

Impact of Powerlinks' business on environment is minimal. However, the Company has adopted the Environmental and Social Policy & Procedures (ESPP) in business activities viz. O&M and Project Management.

The Company has organized programmes from time to time on "Safety, Health and Environment Awareness" for the employees of the Company.

Our sustainability policy integrates our business values and operational excellence to meet the expectations of our customer, employees, partners, communities and public at large.



Foundation Protection of Tower No. 441 on 400kV Siliguri-Purnea D/C (Quard) line.

## 9.0 Quality Assurance, Inspection and Implementation of Integrated Management System

The Company has adopted Integrated Management System, Quality Management System, Environment Management System and Occupational Health and Safety Assessment System and has been re-certified for ISO 9001:2008 (Quality Management System Q.M.S.); ISO 14001:2004 (Environment Management System EMS) and OHSAS 18001:2007 (Occupational Health and Safety Assessment Series) by BSI Management Systems.

## 10.0 Corporate Governance

In accordance with good corporate governance practices, a report on Corporate Governance and statement on Management Discussion and Analysis are included in the Annual Report.

## 11.0 Safe Work Environment

The Company is an equal employment opportunity company and is committed to creating a healthy work environment that enables employees to work without fear of prejudice, gender bias and sexual harassment.

The Company has a Policy on Prevention of Sexual Harassment of Employees. The management has also constituted a committee to consider and redress complaints under the policy. The Committee met once this year and reported nil incidence of such nature at all work place locations in the Company.

## 12.0 Conservation of Energy

The Company has made conscious efforts for conservation of energy in its project right from planning stage. The disclosures required in Form A of Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable to the Company.

## 13.0 Technology Absorption

The Company has purchased a punctured insulator detector kit to monitor the health of the Porcelain Insulator in service. The kit helps in identifying defective insulators in an insulator string on a transmission

line. This enables replacement of the defective insulators in a phased manner and prevents major breakdowns or serious accidents.

## 14.0 Foreign exchange earnings and outgo

Export	Nil
Purchase of Materials	Nil
Expenditure in foreign currency	Rs. 0.06 crore (borrowing cost)
Foreign exchange earned	Nil

## 15.0 Auditors

Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits/ qualification prescribed under Section 139 and Section 141 of the Companies Act, 2013.

## 16.0 Cost Auditors

Pursuant to the provisions of the Companies Act, 2013, Mr. Krishan Singh Berk (Fellow Membership No 2724), practising Cost Accountant, has been appointed as Cost Auditor of the Company for the financial year ended 31st March 2014 and also for Financial year 2015 to conduct audit of cost records pertaining to the Transmission Line maintained by the Company. The Cost Audit Report would be submitted with appropriate authorities within the prescribed time for FY14.

## 17.0 Directors

In accordance with the requirements of the Act and the Articles of Association of the Company, Mr. R N Nayak, Chairman, Mr Sanjeev Mehra and Mr Ravi P Singh retire by rotation and are eligible for re-appointment at the forthcoming Annual General Meeting. The Notice convening the meeting includes the proposal for re-appointment of Directors.

## 18.0 Director's Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956 the Directors, based on the representations received from the Operating Management, confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure.
- (ii) they have, in the selection of the accounting policies, consulted the Statutory Auditors and have 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 as at the end of the financial year and of the profit of the Company for that period.
- (iii) they have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) they have prepared the annual accounts on a going concern basis.

## 19.0 Acknowledgements

The Directors place on record their grateful thanks for the guidance and co-operation extended all through by the Ministry of Power, Ministry of Finance, Central Electricity Authority, Central Electricity Regulatory Commission, Appellate Tribunal for Electricity, Power System Operation Corporation (POSOCO), and other concerned Government departments / agencies at the Central and State Level who are constantly providing us their active support.

The Board of Directors also extends its sincere thanks to Power Grid Corporation of India Ltd. (POWERGRID) and The Tata Power Company Ltd. for the support extended by them to the Company. The Board also extends its gratitude to POWERGRID for facilitating revenue collection for the Company.

The Directors further wish to place on record their sincere thanks to the various national/ international Financial Institutions and Banks for the continued trust and confidence reposed by them by rendering continuous timely assistance and patronage for operation and maintenance of the project.

The Board of Directors also take this opportunity to place on record its gratitude for the valuable contribution and the cooperation extended by each member of the POWERLINKS family.

On behalf of the Board of Directors,

Gurgaon  
8th May, 2014

(R N Nayak)  
Chairman

## Annexure I to the Directors' Report

Statement pursuant to Section 217(2A) of the Companies Act, 1956  
for the year 2013-14

Sr. No.	Name	Age (Yrs)	Designation / Nature of Duties	Gross Remuneration (Rs. Lacs) *	Qualification	Total Experience (Yrs)	Date of Commencement of Employment	Last Employment held and Designation
1	Arvind Singh	53	Executive Director & CEO	62.33	B. Tech (Electrical)	31	1-Sep-2010	The Tata Power Company Ltd., DGM

\*Gross remuneration comprises salary, allowances, incentive remuneration (provisional), monetary value of perquisites, Company's contribution to Provident and Superannuation Funds but excluding contribution to Gratuity Fund and provision for leave encashment.

The nature of employment is contractual.

## Management Discussion and Analysis

### Overall Transmission scenario and its Development

The Eleventh Five year plan (2006-2011) brought significant developments in the transmission sector. The transmission network increased from 1,98,407 ckt Kms<sup>1</sup> at the end of the Tenth five year plan to 2,57,481 ckt Kms<sup>2</sup> at the end of the Eleventh five year plan. The Twelfth five year plan (2012-17) expects to add 1,07,440 ckt Kms to the transmission network. Against this about 33,855 ckt Kms of transmission lines have been added to the transmission network during the first two year period of Twelfth plan and the cumulative transmission network stands at 2,91,336 ckt Kms<sup>3</sup> as on March 31, 2014.

The large expansion in production and consumption of electricity has to be supported by a significant expansion and strengthening of the transmission network. Technological developments for transmission lines of 765 kV and 1,000–1,200 kV are of great relevance to reduce right of way requirement, high power transfer capacity and reduction in transmission losses. Greater reliance will have to be placed on gas insulated substations which reduces the land requirement by about 20-30 per cent of the space required for conventional air insulated sub-stations. This is an area where public investment can be supplemented by private investment and a good start has been made in the Eleventh Plan. It is important to evolve a policy framework within which more private sector investments will be forthcoming in the Twelfth Plan. Over the next five years, the substantial increase in generation capacity as well as new emerging requirements of open access, trading and inter-regional transfers would require augmentation / strengthening of existing transmission system and establishment of new transmission system.

The country's transmission perspective for Twelfth plan focuses on further strengthening of National Grid through implementation of various inter-regional links as a part of different generation projects / grid strengthening schemes. The Inter-regional power transfer capacity of the National grid is envisaged to be increased to about **65,550 MW** by the end of XII Plan. The last year witnessed synchronous interconnection of Southern grid with the rest of the National grid through commissioning of Raichur-Solapur 765 kV single circuit transmission line by Power Grid Corporation of India Ltd (PGCIL), five months ahead of its contractual schedule at a cost of approximately Rs 815 crore thereby achieving 'ONE NATION'-'ONE GRID'-'ONE FREQUENCY'. Synchronous integration of the Southern grid with rest of the national grid shall augment the inter-regional power transfer capacity of Southern region as well as relieve the congestion being experienced occasionally in a few transmission corridors. The present inter-regional power transfer capacity of the National Grid is about 38,550 MW.

### Powerlinks' contribution towards National Grid

The Company has contributed towards establishment of the National Grid by setting up of high capacity transmission lines associated with Tala Transmission System from Siliguri in West Bengal to Mandola in Uttar Pradesh via Bihar which is in operation for about eight years after successful commissioning in July, 2006. The Company is now maintaining the line with an objective to provide the power transmission facility with high system availability.

### Risks and Concerns

CERC has notified the terms and conditions for determination of Tariff for the period 2014-19 effective from 1st April, 2014. The Rate of Return on Equity (RoE) has been maintained at the same base rate level of 15.5% on post tax basis. RoE is to be grossed by "Effective" Tax Rate in place of "Applicable" Tax Rate in the earlier regulation. The annual escalation rate for Operations and Maintenance expenditure has been allowed at 3.22% compared to 5.97% in Tariff Regulations 2009-14. Performance level for incentive on achieving higher line availability for AC system has been increased from 98% to 98.5%. Further, additional incentive is not made available to the Transmission Licensees for achieving line availability beyond 99.75%. Overall in the new regulations, CERC has tightened the operational performance criteria for Transmission Licensees.

### Integrated Management Policy

Powerlinks is committed to establish and operate efficient and effective linkage for the "National Grid" with thrust on technology, quality, cost, regulatory & statutory compliance, environment preservation, occupational health, safety & social concerns and continually improving its systems to the satisfaction of its stakeholders.

<sup>1</sup> Source: CEA website-www.cea.nic.in    <sup>2</sup> Source: CEA website-www.cea.nic.in    <sup>3</sup> Source: CEA website-www.cea.nic.in

Powerlinks has been re-certified for Quality, Environment, Occupational Health and Safety requirements of the International Standard ISO 9001: 2008 (Quality Management System), 14001:2004 (Environment Management System) and OHSAS18001: 2007 (Occupational Health & Safety Assessment System) by BSI Management Systems India Pvt. Ltd. for a period of three years upto September 2014.

### Internal Control Systems and their adequacy

The Company has proper and adequate system of internal controls which is commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded and reported properly under applicable statutes and Tata Code of Conduct and corporate policies are complied with.

The Company has Internal Auditors, who conduct audit of various departments at Corporate office and project offices at Siliguri, Muzaffarpur and Lucknow on quarterly basis.

The annual audit programme is developed by the Internal Auditor and approved by the Audit Committee of the Board. The Internal Auditors report their findings and observations to the Audit Committee that meets 5-6 times during the year to review the audit observations and to follow up the implementation of preventive and corrective actions. The Committee also consults the Company's Statutory Auditors to ascertain their views on the adequacy of the internal control systems in the Company.

The Company has a well established Risk Management System.

The Audit Committee constitutes of non-executive directors who also oversee financials/risks perception of the Company's operations.

### Operation & Maintenance Initiatives

The Company uses Thermo vision camera for detecting hot spots in the transmission lines. Punctured Insulator Detection kit has been procured and the Company has trained its employees to identify failed insulators under 'live line' conditions.

Further, the Company conducts regular and extensive in-house training for its employees for deployment of Emergency Restoration System in case of Tower collapse. Night patrolling in theft prone areas especially Bareilly- Mandola line has been introduced.

### HR Initiatives

In order to achieve organization's strategic objectives, HR has facilitated alignment of Strategy Deployment Matrix to Balanced Score Cards thus linking organizational goals with the Key Result Areas of each employee. The new Performance Appraisal system has been implemented.

With a view to provide career paths to employees and thereby retain talent, high potential employees have been given the responsibility of executing new projects under Project Management Consultancy jobs and projects undertaken by other Tata Power group companies.

Apart from that, slew of initiatives for employee engagement have been undertaken with guidance from the parent company, Tata Power.

Under Training & Development, employees were imparted training as per their developmental needs.

The Company is planning to implement its Affirmative Action Policy jointly with another Tata group company for synergy. Efforts are being pursued towards improving the lives of socially disadvantaged section of society as part of its CSR initiative. The Company is committed to the principle of equal employment opportunity, non-discrimination and affirmative action.

### Cautionary Statement

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

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF POWERLINKS TRANSMISSION LIMITED

#### Report on the Financial Statements

We have audited the accompanying financial statements of **POWERLINKS TRANSMISSION LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March, 2014;
- b. in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

#### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, 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 it appears from our examination of those books.
  - c. The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - d. In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs).
  - e. On the basis of the written representations received from the directors as on 31 March, 2014 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm Registration No. 015125N)

**Alka Chadha**  
Partner  
(Membership No. 93474)

Place: **Gurgaon**  
Date: 8th May, 2014

## ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT (Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i. Having regard to the nature of the Company's business/activities/results during the year, clause (vi), (x), (xii), (xiii), (xiv), (xv), (xviii), (xix) and (xx) of paragraph 4 of the Order is not applicable.
- ii. In respect of its fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.
- iii. In respect of its inventories:
  - a. As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- iv. The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956.
- v. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of inventory and fixed assets and for sale of services. The Company's operations did not give rise to sale of goods during the current year. During the course of our audit, we have not observed any major weaknesses in such internal control system.
- vi. Based on the examination of the books of account and related records and according to the information and explanations provided to us, there are no contracts or arrangements with companies, firms or other parties which need to be listed in the register maintained under Section 301 of the Companies Act, 1956.
- vii. In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the 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 and are of the opinion that prima facie the prescribed cost records have been maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

- ix. According to the information and explanations given to us in respect of statutory dues:
  - a. The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Service Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities. We are informed that the Company's operations do not give rise to any balances in the Investor Education and Protection Fund, Excise Duty and Wealth Tax.
  - b. There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales tax, Service tax, Customs Duty, Cess and other material statutory dues in arrears as at 31 March, 2014 for a period of more than six months from the date they became payable. We are informed that the Company's operations do not give rise to any balances in the Investor Education and Protection Fund, Excise Duty and Wealth Tax.
  - c. Details of dues of Sales Tax which have not been deposited as on 31 March, 2014 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs. in lakhs)
The Central Sales Tax Act, 1956	Demands raised by sales tax authorities	Allahabad High Court	2004-05 to 2007-08	2,497.74

We are informed that there are no dues in respect of Income-tax, Service Tax, Customs Duty and Cess which have not been deposited on account of any disputes. We are informed that the Company's operations do not give rise to Wealth tax, Excise duty.

- x. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks and financial institutions. The Company has not issued any debentures.
- xi. In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained.
- xii. In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have, prima facie, not been used during the year for long term investment.
- xiii. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Firm Registration No. 015125N)

**Alka Chadha**  
Partner  
(Membership No. 93474)

Place: **Gurgaon**  
Date: 8th May, 2014



**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2014**

	Note No.	As at 31.03.2014 (Rs. / Lacs)	As at 31.03.2013 (Rs. / Lacs)
<b>A. EQUITY AND LIABILITIES</b>			
<b>1. SHAREHOLDERS' FUND</b>			
a. Share capital	3	46,800.00	46,800.00
b. Reserves and surplus	4	6,343.26	5,592.94
		<u>53,143.26</u>	<u>52,392.94</u>
<b>2. NON-CURRENT LIABILITIES</b>			
a. Long term borrowings	5	35,940.11	45,040.11
b. Deferred tax liabilities (net)	6	-	-
c. Advance against depreciation		9,873.21	9,873.21
d. Other long term liabilities	7	3,347.57	2,910.58
e. Long term provisions	8	100.78	94.16
		<u>49,261.67</u>	<u>57,918.06</u>
<b>3. CURRENT LIABILITIES</b>			
a. Short term borrowings	9	-	5,364.08
b. Trade payables	10	220.23	241.78
c. Other current liabilities	11	3,187.89	1,831.39
d. Current maturities of long-term debt	12	9,100.00	9,100.00
e. Short term provisions	13	1,252.38	3,031.31
		<u>13,760.50</u>	<u>19,568.56</u>
		<u><b>116,165.43</b></u>	<u><b>129,879.56</b></u>
<b>B. ASSETS</b>			
<b>1. NON-CURRENT ASSETS</b>			
a. Fixed assets			
i Tangible fixed assets	14A	93,382.94	101,488.99
ii Intangible fixed assets	14B	6.86	9.21
		<u>93,389.80</u>	<u>101,498.20</u>
b. Long term loans and advances	15	6,534.20	4,779.56
		<u>99,924.00</u>	<u>106,277.76</u>
<b>2. CURRENT ASSETS</b>			
a. Current investments	16	5,611.00	2,060.00
b. Inventories	17	197.27	228.03
c. Trade receivables	18	2,081.88	2,912.53
d. Cash and bank balances	19	5,730.55	14,417.71
e. Short term loans and advances	20	239.10	281.80
f. Other current assets	21	2,381.63	3,701.73
		<u>16,241.43</u>	<u>23,601.80</u>
		<u><b>116,165.43</b></u>	<u><b>129,879.56</b></u>
See accompanying notes forming part of the financial	1-38		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Alka Chadha**  
Partner

Place: Gurgaon  
Date: 8th May, 2014

For and on behalf of the Board

**R. N. Nayak**  
Chairman

**Suranjit Mishra**  
Chief- Finance & Accounts

Place: Gurgaon  
Date: 8th May, 2014

**Arvind Singh**  
Executive Director  
& CEO

**Monica Mehra**  
Company Secretary

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014**

	Note No.	Year ended 31.03.2014 (Rs. / Lacs)	Year ended 31.03.2013 (Rs. / Lacs)
<b>1. Revenue from operations</b>	22	25,421.02	24,438.15
<b>2. Other income</b>	23	1,476.51	1,549.48
<b>3. Total revenue (1 +2)</b>		<u><b>26,897.53</b></u>	<u><b>25,987.63</b></u>
<b>4. Expenses</b>			
a. Employee benefits expenses	24	755.41	701.84
b. Finance costs	25	4,972.52	5,637.94
c. Depreciation and amortisation expense	14	8,155.75	8,158.50
d. Transmission, administration and other expenses	26	836.29	1,057.08
<b>5. Total Expenses</b>		<u><b>14,719.97</b></u>	<u><b>15,555.36</b></u>
<b>6. Profit before tax (3 - 5)</b>		<u><b>12,177.56</b></u>	<u><b>10,432.27</b></u>
<b>7. Tax expense / (benefit):</b>			
a. Current tax expenses		2,556.01	2,087.29
b. (Less): MAT credit		(1,668.85)	(2,982.23)
c. Short / (Excess) provision for tax relating to prior years	27	-	(580.38)
d. Net current tax expense		887.16	(1,475.32)
e. Deferred tax (including adjustment for previous years)		5,401.78	580.00
Less: Adjustable from future tariff income (including adjustment for previous years)		(5,401.78)	(580.00)
Net tax expense / (benefit)		<u>887.16</u>	<u>(1,475.32)</u>
<b>8. Profit for the year (6-7)</b>		<u><b>11,290.40</b></u>	<u><b>11,907.59</b></u>
<b>9. Earnings per equity share</b> (Face value Rs. 10 per share) -Basic and diluted (Rupees)	36	2.41	2.54
See accompanying notes forming part of the financial statements	1-38		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Alka Chadha**  
Partner

Place: Gurgaon  
Date: 8th May, 2014

For and on behalf of the Board

**R. N. Nayak**  
Chairman

**Suranjit Mishra**  
Chief- Finance & Accounts

Place: Gurgaon  
Date: 8th May, 2014

**Arvind Singh**  
Executive Director  
& CEO

**Monica Mehra**  
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2014

	Year ended 31.03.2014 (Rs. / Lacs)	Year ended 31.03.2013 (Rs. / Lacs)
<b>A. Cash flow from operating activities</b>		
Net Profit / (Loss) before extraordinary items and tax	12,177.56	10,432.27
Adjustments for:		
Depreciation and amortisation expense	8,155.75	8,158.50
Profit on sale of fixed assets	-	(0.45)
Loss on fixed assets written off	9.55	-
Finance cost	4,972.52	5,637.94
Interest income from banks on deposits	(485.07)	(1,097.62)
Net gain on sale of mutual funds	(857.39)	(307.04)
Provision for doubtful trade receivables	16.85	-
Excess provisions no longer required written back	(4.03)	(14.35)
<b>Operating profit before working capital changes</b>	<b>23,985.74</b>	<b>22,809.25</b>
Changes in working capital:		
Adjustments for (increase) / decrease in operating assets:		
Inventories	30.76	(57.66)
Trade receivables	813.80	119.07
Short-term loans and advances	42.70	(54.72)
Long-term loans and advances	0.02	(8.56)
Other current assets	33.16	299.94
Adjustments for increase / (decrease) in operating liabilities:		
Trade payables	(17.52)	45.02
Other current liabilities	1,205.66	70.47
Other long-term liabilities	436.99	2,271.59
Short-term provisions	0.56	(8.20)
Long-term provisions	6.62	23.68
Cash generated from operations	26,538.49	25,509.88
Income tax paid	(2,531.43)	(1,970.36)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>A 24,007.06</b>	<b>23,539.52</b>
<b>B. Cash flow from investing activities</b>		
Capital expenditure on fixed assets	(180.42)	(60.74)
Proceeds from sale of fixed assets	13.13	57.61
Interest received	1,772.01	548.04
Purchase of mutual fund units	(63,774.70)	(27,575.65)
Sale of mutual fund units	61,081.09	29,032.69
Deposit placed with banks under lien	(12,262.38)	(4,780.00)
Deposit placed with banks	-	(2,123.08)
Deposit with banks under lien matured	19,322.60	4,510.00
Deposit with banks matured	57.48	-
<b>NET CASH FROM/ (USED IN) INVESTING ACTIVITIES</b>	<b>B 6,028.81</b>	<b>(391.13)</b>
<b>C. Cash flow from financing activities</b>		
Repayment of long-term borrowings	(9,100.00)	(9,100.00)
Proceeds from short-term borrowings	-	4,100.00
Repayment of short term borrowings	(5,364.08)	(425.92)
Finance cost	(5,072.94)	(5,744.27)
Dividend paid	(10,530.00)	(9,828.00)
Dividend distribution tax paid	(1,538.31)	(1,442.50)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>C (31,605.33)</b>	<b>(22,440.69)</b>
Net increase/(decrease) in Cash and cash equivalents (A+B+C)	(1,569.46)	707.70
Cash and cash equivalents at the beginning of the year	2,310.63	1,602.93
<b>Cash and bank balances at the end of the year (see note 19)</b>	<b>741.17</b>	<b>2,310.63</b>
<b>Notes:</b>		
Cash and cash equivalents include:		
a. Cash in hand	0.77	1.00
b. Balance with banks - in current accounts	115.40	2,309.63
c. Balance with banks - in deposit accounts	625.00	-
	<b>741.17</b>	<b>2,310.63</b>

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Alka Chadha**  
Partner

Place: Gurgaon  
Date: 8th May, 2014

For and on behalf of the Board

**R. N. Nayak**  
Chairman

**Suranjit Mishra**  
Chief- Finance & Accounts

Place: Gurgaon  
Date: 8th May, 2014

**Arvind Singh**  
Executive Director & CEO

**Monica Mehra**  
Company Secretary

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## Note 1: Background

Powerlinks Transmission Limited (the Company), which is a Joint Venture of The Tata Power Company Limited and PowerGrid Corporation of India Limited (Powergrid) with 51% and 49% shareholding respectively, has been set up to construct, operate and maintain 1,166 Kilometers of five 400 KV Double Circuit Transmission Lines and one 220 KV Double Circuit Transmission Line from Siliguri in West Bengal via Bihar to Mandola in Uttar Pradesh under the "Build-Own-Operate-Transfer" (BOOT) basis. Power is being evacuated from the Tala Hydro Electric Power Project in Bhutan, a Project developed by Government of India and Government of Bhutan, and surplus power in Eastern India and is being transferred to Northern India through the Transmission Lines.

The Company has been granted transmission license for 25 years by Central Electricity Regulatory Commission (CERC) for the transmission of electricity effective 13 November, 2003.

The Company has also entered into a Transmission Service Agreement and Implementation Agreement with Powergrid according to which entire transmission capacity of the Transmission Lines is being made available to Powergrid for the transmission of power. The Transmission Lines are in operation since 2006.

## Note 2: Significant accounting policies

## a. Basis of accounting

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act 1956("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13 September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

## b. Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

## c. Reserve &amp; Surplus

The Self Insurance reserve has been created at the rate of 0.1% per annum on gross block of Transmission Assets as at the end of the year by appropriating current year profit towards future losses which may arise from un-insured risks.

## d. Inventories

Inventories are valued at the lower of cost determined on weighted average basis and the net realisable value after providing for obsolescence and other losses, where considered necessary. Cost includes all charges in bringing the goods to the point of sale, including octroi and other levies, transit insurance and receiving charges.

**e. Cash and cash equivalents (for purposes of Cash Flow Statement)**

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

**f. Cash flow statement**

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

**g. Depreciation and amortisation**

Depreciation on fixed assets is provided on pro rata basis from the month in which assets is available for use on straight-line method at the rates and methodology notified by the Central Electricity Regulatory Commission (CERC) Tariff Regulations, 2009 except in case of the following assets:

Asset class	Rate (%)
Computers	60.00%
Vehicles	25.89%
Office equipment	18.10%
Office equipment – mobile	33.33%
Furniture and fixtures	18.10%
Computer software	Over the economic useful life or five years, whichever is lower
Assets costing Rs. 5,000 or less individually	Fully depreciated in the year of acquisition

These rates are higher than those prescribed in CERC Tariff Regulation, 2009 and are based on the estimated useful life of these assets.

**h. Revenue recognition**

- i. Transmission Service Charges have been computed as per the CERC (Terms & Conditions of Tariff) Regulations, 2009, effective 1 April, 2009, applicable for the Tariff Block 2009-2014. As per CERC Regulations 2009, transmission income is to be computed by taking Return on Equity (ROE) at the rate of 15.50% on post tax basis and after grossing up with the MAT tax rate of 20.008% (as applicable for current financial year) for the purpose of recognition of revenue.
- ii. The transmission system incentive/disincentive is accounted for based on the norms approved by CERC and 'Certificate of Availability' given by the respective Regional Power Committee and respective regional load dispatch center.
- iii. Revenue on fixed price contracts is recognised according to the 'proportionate completion' method based on work completed.

- iv. Surcharge recoverable from trade receivables and liquidated damages/ interest on advances to suppliers are recognised when no significant uncertainty as to measurability and collectability exists.

**i. Other income**

Interest income is accounted on accrual basis. Dividend income is accounted when the right to receive is established.

**j. Tangible assets**

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use and other incidental expenses incurred up to that date. Exchange differences arising on restatement / settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated over the remaining useful life of such assets. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets retired from active use and held for sale are stated at the lower of their net book value and net realisable value and are disclosed separately in the Balance Sheet.

Capital work-in-progress:

Projects under which tangible fixed assets are not ready for their intended use are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

**k. Intangible assets**

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognised as an expense when incurred unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

**l. Foreign exchange transactions and translations**Initial recognition:

Transactions in foreign currencies entered into by the Company are accounted at the exchange rates prevailing on the date of the transaction or at rates that closely approximate the rate at the date of the transaction.

Measurement of foreign currency monetary items at the Balance Sheet date:

Foreign currency monetary items of the Company outstanding at the Balance Sheet date are restated at the year-end rates.

Treatment of exchange differences:

Exchange differences arising on settlement / restatement of short-term foreign currency monetary assets and liabilities of the Company are recognised as income or expense in the Statement of Profit and Loss.

**m. Investments**

Long-term investments are carried individually at cost less provision for diminution, other than temporary, in the value of such investments. Current investments are carried individually, at the lower of cost and fair value. Cost of investments includes acquisition charges such as brokerage, fees and duties.

**n. Employee benefits**

Employee benefits include provident fund, superannuation fund, employee state insurance scheme, gratuity fund and compensated absences

Defined contribution plans

The Company's contribution to provident fund, superannuation fund and employee state insurance scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

Defined benefit plan:

For defined benefit plans in the form of gratuity fund the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Short-term employee benefits:

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

The cost of such compensated absences is accounted as under:

- i. in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- ii. in case of non-accumulating compensated absences, when the absences occur.

Long-term employee benefits:

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the Balance Sheet date less the fair value of the plan assets out of which the obligations are expected to be settled.

**o. Borrowing costs**

Borrowing costs include interest, amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing costs, allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction / development of the qualifying asset upto the date of capitalisation of such asset are added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.

**p. Leases****i. Operating lease**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease charges are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

**ii. Finance lease**

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The lower of fair value of asset and the present value of minimum lease rentals is capitalised as fixed assets with the corresponding amount shown as lease liability. The principal component in the lease rentals is adjusted against the lease liability and the interest component is charged to profit and loss account.

**q. Earnings per share**

Basic earnings per share is computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

**r. Taxes on income**

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses, deferred tax assets are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

#### s. Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

#### t. Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events 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. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

#### u. Advance Against Depreciation (AAD)

'Advance Against Depreciation' (AAD) forming part of tariff pertaining to subsequent years, to facilitate repayment of loans is reduced from transmission income and considered as deferred revenue to be included in transmission income in subsequent years.

#### v. Insurance claims

Insurance claims are accounted for on the basis of claims admitted / expected to be admitted and to the extent that there is no uncertainty in receiving the claims.

#### w. Operating Cycle

Based on the nature of products / activities of the Company and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares	Amount (Rs./Lacs)	Number of shares	Amount (Rs./Lacs)
<b>Note 3 : Share capital</b>				
<b>(a) Authorised</b>				
Equity shares of Rs. 10 (Previous year Rs. 10) each with voting rights	483,600,000	48,360.00	483,600,000	48,360.00
<b>(b) Issued</b>				
Equity shares of Rs. 10 (Previous year Rs. 10) each with voting rights	468,000,000	46,800.00	468,000,000	46,800.00
<b>(c) Subscribed and fully paid up</b>				
Equity shares of Rs. 10 (Previous year Rs. 10) each with voting rights	468,000,000	46,800.00	468,000,000	46,800.00
	<b>468,000,000</b>	<b>46,800.00</b>	<b>468,000,000</b>	<b>46,800.00</b>

See notes (i) to (iv) below

- (i) The Company has one class of equity shares having a par value of Rs. 10 each. Each shareholder is eligible for one vote per share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in proportion to their shareholding.
- (ii) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31 March, 2014		As at 31 March, 2013	
	Number of shares held	% holding	Number of shares held	% holding
<b>Equity shares with voting rights</b>				
The Tata Power Company Limited	238,679,997	51	238,679,997	51
The Tata Power Company Limited and individuals jointly	3	-	3	-
Power Grid Corporation of India Limited	229,319,997	49	229,319,997	49
Individuals of Power Grid Corporation of India Limited	3	-	3	-
	<b>468,000,000</b>	<b>100</b>	<b>468,000,000</b>	<b>100</b>

(iii) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Movement	Closing Balance
Equity shares with voting rights			
As at 31 March, 2014			
- Number of shares	468,000,000	-	468,000,000
- Amount (Rs./Lacs)	46,800.00	-	46,800.00
As at 31 March, 2013			
- Number of shares	468,000,000	-	468,000,000
- Amount (Rs./Lacs)	46,800.00	-	46,800.00

(iv) Details of shares held by The Tata Power Company Limited, the holding Company

Particulars	Aggregate number of shares	
	As at 31 March, 2014	As at 31 March, 2013
Fully paid up equity shares with voting rights		
The Tata Power Company Limited	238,679,997	238,679,997
The Tata Power Company Limited and individuals jointly	3	3

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2014 (Rs. / Lacs)	As at 31.03.2013 (Rs. / Lacs)
<b>Note 4 : Reserves and Surplus</b>		
a. General reserve		
i. Opening balance	4,411.00	3,511.00
ii. Add: Transferred from surplus in statement of profit and loss	847.00	900.00
iii. Closing balance	<b>5,258.00</b>	<b>4,411.00</b>
b. Self insurance reserve (see note 2c)		
i. Opening balance	858.45	800.00
ii. Add: Transferred from surplus in statement of profit and loss	152.16	152.28
iii. Less: Amount utilised during the year	-	93.83
iv. Closing balance	<b>1,010.61</b>	<b>858.45</b>
c. Surplus in statement of profit and loss		
i. Opening balance	323.49	272.66
ii. Add: Profit for the year	11,290.40	11,907.59
iii. Transferred from self insurance reserve	-	93.83
iv Less: Interim dividend distributed to equity shareholders [Rs. 1.70 per share (Previous year Rs. 1.45 per share)]	7,956.00	6,786.00
v Final dividend distributed to equity shareholders [Rs. 0.225 per share (Previous year Rs. 0.55 per share)]	1,053.00	2,574.00
vi. Tax on interim dividend	1,352.12	1,100.86
vii. Tax on final dividend	178.96	437.45
viii. Transferred to general reserve	847.00	900.00
ix Transferred to self insurance reserve	152.16	152.28
Closing balance	<b>74.65</b>	<b>323.49</b>
	<b>6,343.26</b>	<b>5,592.94</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2014 (Rs. / Lacs)	As at 31.03.2013 (Rs. / Lacs)
<b>Note 5 : Long term borrowings</b>		
<b>Secured loans</b> (see note 'I' below)		
a. From bank		
i. State Bank of India	6,898.44	8,738.02
b. From others		
i. International Finance Corporation	10,998.67	13,748.34
ii. Asian Development Bank	9,779.67	12,224.59
iii. Infrastructure Development Finance Company Limited	8,263.33	10,329.16
	<b>35,940.11</b>	<b>45,040.11</b>
<b>Note</b>		
<b>I. Secured loans</b>		
a) Security		
The Company has entered into loan agreement with the Bank and Financial Institutions collectively known as "Senior Lenders" for financing the project. The Company has created a first charge ranking pari passu on:		
i. all of its tangible, intangible, movable, fixed and current assets;		
ii. all products of income from and proceeds of sale or other disposition of and any rights, easements, benefits, options, agreements, indemnities, warranties or covenants in respect of all of the foregoing; both present and future, in favour of the Senior Lenders for the purpose of above mentioned loan amounts.		
	<b>As at 31.03.2014</b>	<b>As at 31.03.2013</b>
b) Rate of interest		
a. From banks		
i. State Bank of India	10.29%	9.03%
b. From others		
i. International Finance Corporation	8.80%	8.80%
ii. Asian Development Bank	9.14%	9.14%
iii. Infrastructure Development Finance Company Limited	10.19%	9.20%
c) Details of terms of repayment in respect of the secured other long-term borrowings outstanding as at 31 March, 2014:	<b>(Rs. / Lacs)</b>	
April 2015 - March 2016	9,100.00	
April 2016 - March 2017	9,100.00	
April 2017 - March 2018	9,100.00	
April 2018 - January 2019	8,640.11	
	<b>35,940.11</b>	

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2014 (Rs. / Lacs)	As at 31.03.2013 (Rs. / Lacs)
<b>Note 6 : Deferred tax liabilities</b>		
Deferred tax liabilities (Net)		
The Company has started availing the tax benefit under section 80IA of the Income Tax Act, 1961, with effect from the financial year 2011-12, whereby the Company will be entitled to a tax holiday for 10 years. Deferred tax liabilities as on 31 March, 2014, as detailed below reflect the quantum of tax liabilities accrued up to 31 March, 2014 but payable after the expiry of tax holiday period. Deferred tax assets and liabilities are being offset as they relate to taxes on income levied by the same governing taxation laws.		
<u>Tax effect of items constituting deferred tax liabilities</u>		
On difference between book balance and tax balance of fixed assets	12,722.78	7,321.00
Less: Adjustable from future tariff income	(12,722.78)	(7,321.00)
<b>Net Tax effect of items constituting deferred tax liabilities (see note below)</b>	<b>-</b>	<b>-</b>
<b>Note</b>		
Adjustable from future tariff income as per the Central Electricity Regulatory Commission Tariff Regulations.		
<b>Note 7 : Other long term liabilities</b>		
Advance from customers	-	857.27
Deferred revenue adjustable in future tariff	3,347.57	2,053.31
	<b>3,347.57</b>	<b>2,910.58</b>
<b>Note 8 : Long term provisions</b>		
Provision for employee benefits		
i. Provision for compensated absences	99.73	81.41
ii. Provision for gratuity (net)	1.05	12.75
	<b>100.78</b>	<b>94.16</b>
<b>Note 9: Short term borrowings</b>		
Short term borrowings -from bank (see note below)	-	1,264.08
Inter Corporate Deposit from related parties (see note 34)	-	4,100.00
	<b>-</b>	<b>5,364.08</b>
Short term loan is secured by the Fixed deposits of Rs. Nil (Previous Year Rs. 1,880.07 Lacs).		

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2014 (Rs. / Lacs)	As at 31.03.2013 (Rs. / Lacs)
<b>Note 10 : Trade payables</b>		
Trade payables-other than acceptances (See note 37)	220.23	241.78
	<b>220.23</b>	<b>241.78</b>
<b>Note 11 : Other current liabilities</b>		
a. Interest accrued but not due on borrowings	533.57	633.99
b. Dividend distribution tax on interim dividend	1,352.12	1,100.86
c. Other payables		
i. Statutory dues	17.17	14.01
(Contributions to Provident fund and ESIC, withholding taxes, service tax, etc.)		
ii Payables on purchase of fixed assets	8.38	8.38
iii Advance from customers	1,276.65	74.15
	<b>3,187.89</b>	<b>1,831.39</b>
<b>Note 12 : Current maturities of long-term debt</b>		
a. From banks (see note below)		
i. State Bank of India	1,839.58	1,839.58
b. From others (see note below)		
i. International Finance Corporation	2,749.67	2,749.67
ii. Asian Development Bank	2,444.91	2,444.91
iii. Infrastructure Development Finance Company Limited	2,065.84	2,065.84
	<b>9,100.00</b>	<b>9,100.00</b>
<b>Note:</b>		
Security for 'Current maturities of long-term debt' is stated in note 'I' of Note 5 - 'Long term borrowings'		
<b>Note 13 : Short term provisions</b>		
a. Provision for employee benefits -compensated absences	20.42	19.86
b. Provision - others		
i. Provision for proposed dividend	1,053.00	2,574.00
ii. Provision for tax on proposed dividend	178.96	437.45
	<b>1,252.38</b>	<b>3,031.31</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

## Note 14 : Fixed Assets (At cost)

S. No.		Description	GROSS BLOCK			DEPRECIATION/AMORTIZATION			NET BLOCK		
			As at 01.04.2013	Additions	Deletions / Adjustments	As at 31.03.2014	As at 01.04.2013	For the Period	Deletions / Adjustments	As at 31.03.2014	As at 31.03.2013
<b>A TANGIBLE ASSETS:</b>											
1.		Freehold land	131.39	-	-	131.39	-	-	-	131.39	131.39
			(131.39)	(-)	(-)	(131.39)	(-)	(-)	(-)	(131.39)	(131.39)
2.		Non factory building	2,591.17	10.40	-	2,601.57	235.31	99.53	334.84	2,266.73	2,355.86
			(2,435.92)	(168.05)	(12.80)	(2,591.17)	(137.46)	(99.00)	(235.31)	(2,355.86)	(2,298.46)
3.		Plant and equipment									
		a. Transmission lines	152,176.14	22.93	32.22	152,166.85	53,303.22	8,027.37	61,316.79	90,850.06	98,872.92
			(152,232.85)	-	(56.71)	(152,176.14)	(45,285.12)	(8,035.09)	(53,303.22)	(98,872.92)	(106,947.73)
		b. Computers	20.32	5.55	15.99	9.88	12.61	2.40	2.26	7.62	7.71
			(37.05)	(1.80)	(18.53)	(20.32)	(28.60)	(2.47)	(12.61)	(7.71)	(8.45)
		c. Others	100.24	1.11	-	101.35	13.27	5.43	18.70	82.65	86.97
			(54.57)	(45.67)	(-)	(100.24)	(9.51)	(3.76)	(13.27)	(86.97)	(45.06)
4.		Furniture and fixtures	39.52	-	2.96	36.56	27.08	5.05	29.36	7.20	12.44
			(42.92)	(0.47)	(3.87)	(39.52)	(25.44)	(5.25)	(27.08)	(12.44)	(17.48)
5.		Vehicles	16.23	5.53	-	21.76	9.49	5.69	15.18	6.58	6.74
			(21.86)	(-)	(5.63)	(16.23)	(4.01)	(6.57)	(9.49)	(6.74)	(17.85)
6.		Office equipment	36.28	24.51	10.35	50.44	21.32	7.93	19.73	30.71	14.96
			(44.00)	(1.80)	(9.52)	(36.28)	(25.53)	(4.39)	(21.32)	(14.96)	(18.47)
		<b>Total</b>	<b>155,111.29</b>	<b>70.03</b>	<b>61.52</b>	<b>155,119.80</b>	<b>53,622.30</b>	<b>8,153.40</b>	<b>61,736.86</b>	<b>93,382.94</b>	<b>101,488.99</b>
		<b>Previous year</b>	<b>(155,000.56)</b>	<b>(217.79)</b>	<b>(107.06)</b>	<b>(155,111.29)</b>	<b>(45,515.67)</b>	<b>(8,156.53)</b>	<b>(53,622.30)</b>	<b>(101,488.99)</b>	<b>(109,484.89)</b>
<b>B INTANGIBLE ASSETS:</b>											
1.		Computer Software	11.75	-	-	11.75	2.54	2.35	4.89	6.86	9.21
			(9.45)	(2.30)	-	(11.75)	(0.57)	(1.97)	(2.54)	(9.21)	(8.88)
		<b>Total</b>	<b>11.75</b>	<b>-</b>	<b>-</b>	<b>11.75</b>	<b>2.54</b>	<b>2.35</b>	<b>4.89</b>	<b>6.86</b>	<b>9.21</b>
		<b>Previous year</b>	<b>(9.45)</b>	<b>(2.30)</b>	<b>(-)</b>	<b>(11.75)</b>	<b>(0.57)</b>	<b>(1.97)</b>	<b>(2.54)</b>	<b>(9.21)</b>	<b>(8.88)</b>
		<b>Grand total</b>	<b>155,123.04</b>	<b>70.03</b>	<b>61.52</b>	<b>155,131.55</b>	<b>53,624.84</b>	<b>8,155.75</b>	<b>61,741.75</b>	<b>93,389.80</b>	<b>101,498.20</b>
		<b>Previous year</b>	<b>(155,010.01)</b>	<b>(220.09)</b>	<b>(107.06)</b>	<b>(155,123.04)</b>	<b>(45,516.24)</b>	<b>(8,158.50)</b>	<b>(53,624.84)</b>	<b>(101,498.20)</b>	<b>(109,493.77)</b>

Note:  
Figures in brackets pertain to the previous year

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2014 (Rs. / Lacs)	As at 31.03.2013 (Rs. / Lacs)
<b>Note 15 : Long term loans and advances (Unsecured, considered good)</b>		
a. Capital advances	1,132.52	1,022.13
b. Security deposits	37.06	37.08
c. Advance income tax and tax deducted at source [net of provision for tax Rs. 13,901.30 lacs (Previous Year Rs 11,345.29 Lacs) and fringe benefit tax Rs. 16.45 lacs (Previous Year Rs 16.45 Lacs)]	705.11	729.69
d. Minimum alternate tax credit entitlement	4,651.08	2,982.23
e. Other loans and advances	8.43	8.43
	<b>6,534.20</b>	<b>4,779.56</b>
<b>Note 16 : Current investments</b>		
<b>Investments in mutual funds (Unquoted)</b> (At lower of cost or fair value)		
25,000,000.00 (Previous Year : Nil) Units each of Rs. 10 ICICI Prudential FMP Series 69-369 days -Growth*	2,500.00	-
108,015.28 (Previous Year : Nil) Units each of Rs. 1,419.24 Axis Liquid Fund - Growth	1,533.00	-
70,095.35 (Previous Year : Nil) Units each of Rs. 1,462.29 Baroda Pioneer Liquid fund - Plan A Growth	1,025.00	-
4,400,000.00 (Previous Year : Nil) Units each of Rs. 10 Kotak FMP Series 116 -Growth*	440.00	-
418,696.68 (Previous Year : Nil) Units each of Rs. 26.99 Sundaram Money Fund Regular Growth	113.00	-
Nil (Previous year: 206,00,000.00) units of Rs. 10 each in Tata Fixed Maturity Plan Series 40 Scheme A - Growth*	-	2,060.00
	<b>5,611.00</b>	<b>2,060.00</b>
Aggregate amount of unquoted investments	5,611.00	2,060.00
*Current investments under lien for Debt Service Reserve Account (DSRA) and Debt Service Accrual Account (DSAA)		



## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2014 (Rs. / Lacs)	As at 31.03.2013 (Rs. / Lacs)
<b>Note 17 : Inventories</b>		
(At lower of cost and net realisable value)		
Stores and spares	<b>197.27</b>	<b>228.03</b>
<b>Note 18 : Trade receivables (Unsecured)</b>		
a. Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Considered good	-	619.59
Doubtful	16.85	-
	<b>16.85</b>	<b>619.59</b>
Less: Provision for doubtful trade receivables	16.85	-
	-	619.59
b. Other trade receivables	2,081.88	2,292.94
	<b>2,081.88</b>	<b>2,912.53</b>
<b>Note 19 : Cash and bank balances</b>		
<b>A Cash and cash equivalents</b>		
a. Cash in hand	0.77	1.00
b. Balance with banks - in current accounts	115.40	2,309.63
c. Balance with banks - in deposit accounts (remaining maturity of three months or less)	625.00	-
	<b>741.17</b>	<b>2,310.63</b>
<b>B Other bank balances</b>		
a. In deposit accounts - remaining maturity of more than three months	-	2,123.08
b. In earmarked accounts (see note below)	4,989.38	9,984.00
	<b>4,989.38</b>	<b>12,107.08</b>
	<b>5,730.55</b>	<b>14,417.71</b>
<b>Note</b>		
Deposit under lien for Debt Service Reserve Account (DSRA), Debt Service Accrual Account (DSAA) and Self Insurance Reserve	4,989.38	9,984.00

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2014 (Rs. / Lacs)	As at 31.03.2013 (Rs. / Lacs)
<b>Note 20 : Short term loans and advances (Unsecured, considered good)</b>		
a. Loans and advances to employees	0.83	2.76
b. Prepaid expenses	30.45	33.16
c. System operation charges	71.19	217.73
d. Unified load despatch charges	136.54	-
e. Other loans and advances	0.09	28.15
	<b>239.10</b>	<b>281.80</b>
<b>Note 21 : Other current assets</b>		
a. Unbilled revenue	2,240.97	2,274.13
b. Accrued interest on deposits	140.66	1,427.60
	<b>2,381.63</b>	<b>3,701.73</b>
<b>Note 22 : Revenue from operations</b>		
Sale of services (see note below)	<b>25,421.02</b>	<b>24,438.15</b>
<b>Note:</b> Sale of services comprises:		
a. Transmission service charges	26,283.06	26,572.26
b. Incentive on transmission service charges	388.08	438.96
c. Consultancy, project management and supervision fee	44.14	134.77
	<b>26,715.28</b>	<b>27,145.99</b>
Less: Adjustment of transmission service charges pertaining to earlier years (see note 27)	-	654.53
Less: Deferred revenue adjustable in future tariff	1,294.26	2,053.31
	<b>25,421.02</b>	<b>24,438.15</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31.03.2014 (Rs. / Lacs)	Year ended 31.03.2013 (Rs. / Lacs)
<b>Note 23 : Other income</b>		
a. Interest income from banks on deposits	485.07	1,097.62
b. Surcharge	92.69	-
c. Net gain on sale of mutual funds	857.39	307.04
d. Other non-operating income [see note below]	41.36	144.82
	<b>1,476.51</b>	<b>1,549.48</b>
<b>Notes:</b>		
Other non-operating income comprises:		
a. Profit on sale of fixed assets	-	0.45
b. Excess provision no longer required written back	4.03	14.35
c. Refund of interest paid on income tax in earlier years	-	51.19
d. Miscellaneous income	37.33	31.60
e. Reimbursement of license fees	-	47.23
	<b>41.36</b>	<b>144.82</b>
<b>Note 24 : Employee benefit expenses</b>		
a. Salaries and wages	632.80	583.72
b. Contribution to provident and other funds	64.22	71.66
c. Staff welfare expenses	58.39	46.46
	<b>755.41</b>	<b>701.84</b>
<b>Note 25 : Finance costs</b>		
a. Interest expense on - borrowings	4,716.71	5,467.68
b. Rebate on transmission charges	221.10	136.61
c. Other borrowing costs	34.71	33.65
	<b>4,972.52</b>	<b>5,637.94</b>

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

	Year ended 31.03.2014 (Rs. / Lacs)	Year ended 31.03.2013 (Rs. / Lacs)
<b>Note 26 : Transmission, administration and other expenses</b>		
a. Rent and hire charges	11.73	15.28
b. Repairs and maintenance		
i. Building	4.47	10.60
ii. Plant and machinery	322.84	528.49
iii. Others	3.16	5.39
c. Insurance charges	8.57	6.68
d. Rates and taxes (see note 'ii' below)	28.67	30.07
e. Communication expenses	18.81	11.78
f. Travelling and conveyance	158.25	153.42
g. Printing, postage and stationery	8.91	6.99
h. Payments to Auditors (see note 'i' below)	23.40	21.95
i. Legal and professional fees	62.08	69.42
j. Office and security expenses	100.75	91.24
k. Director's sitting fees	3.70	3.10
l. Electricity charges	16.89	15.81
m. Fees and subscription	21.22	17.30
n. Training and workshop expenses	6.61	3.03
o. Loss on fixed assets written off	9.55	-
p. Provision for doubtful trade receivables	16.85	-
q. System operation charges (see note 'iii' below)	-	-
r. Unified load despatch charges (see note 'iv' below)	-	-
s. Miscellaneous expenses	9.83	66.53
	<b>836.29</b>	<b>1,057.08</b>
<b>Note</b>		
i. Payment to auditors comprises*		
(a) Statutory audit fee (including quarterly audits)	11.00	10.00
(b) Tax audit fees	1.50	1.50
(c) Certification Fee	5.92	0.10
(d) Other services	4.40	9.80
(e) Out of pocket expenses	0.58	0.55
	<b>23.40</b>	<b>21.95</b>
* Exclusive of service tax		
ii. Rates and taxes	84.13	82.09
Less: reimbursements received for application fee and license fee paid	(55.46)	(52.02)
	<b>28.67</b>	<b>30.07</b>
iii. System operation charges	38.48	39.31
Less: recoverable from beneficiaries	(38.48)	(39.31)
	-	-
iv. Unified load despatch charges	136.54	-
Less: recoverable from beneficiaries	(136.54)	-
	-	-

**Note 27: Provision for income tax**

The Company has made a provision of tax of Rs. 2,556.01Lacs (Previous Year Rs. 2,087.29Lacs) as follows:

- a. Rs. 2,246.58Lacs (Previous Year Rs. 1,764.92Lacs) under section 115JB of Income Tax Act, 1961 on Transmission business.
- b. Rs.309.43Lacs (Previous Year Rs. 322.37Lacs) under section 115JB of Income Tax Act, 1961 on income from consultancy and other sources.

The Company had paid income tax amounting to Rs. 1,249.19 lacs (including interest of Rs. 136.55 lacs due to delayed payments) during the year ended 31 March, 2009 towards income taxable on account of Advance Against Depreciation (AAD) allowed by the CERC for the years ended 31 March, 2008 and 2009 pursuant to an advance ruling given in case of National Hydroelectric Power Corporation Limited (NHPC) by Income Tax Authorities for Advance Rulings which opined that tax was payable on AAD. The Company had recorded transmission service income of Rs. 594.66 lacs and Rs. 654.53 lacs during the year ended 31 March, 2008 and 31 March, 2009 respectively against the aforesaid tax payment.

As per the Supreme Court ruling dated 5 January, 2010 in case of "National Hydroelectric Power Corporation Limited Vs Commissioner of Income Tax", the Supreme Court had opined that AAD cannot be considered as income being income received in advance which would be taxed in the year in which income is accrued. Accordingly, the Company had revised its income tax returns in August 2010 and claimed a refund of Rs. 611.40 lacs and Rs. 636.14 lacs for the years ended 31 March, 2008 and 31 March, 2009 respectively.

The Company had received a refund of Rs. 636.14 lacs (including interest of Rs. 51.19 lacs) pertaining to the year ended 31 March, 2009 during the year ended 31 March, 2013. Accordingly, the Company had made an adjustment to transmission service charges amounting to Rs. 654.53 lacs (including tax adjustment related to the refund amount). The refund of interest of Rs. 51.19 lacs was included under 'other income' and refund of tax amount of Rs. 580.38 lacs was credited to the Statement of Profit and Loss as current tax adjustment relating to prior years.

The accounting for tax paid on Advance Against Depreciation for the year ended 31 March, 2008 would be done on its receipt and will be based on the prevalent tariff regulations.

**Note 28: Accrual of Transmission Service Charges**

Transmission Service Charges have been computed as per the CERC (Terms & Conditions of Tariff) Regulations, 2009, effective 1 April, 2009, applicable for the Tariff Block 2009-2014. As per CERC Regulations 2009, the Transmission income is to be computed considering Return on Equity (ROE) computed on a pre tax base tax rate of 15.50% grossed up by the applicable tax rate.

**Note 29: Project Expenditure**

Total expenditure of Rs. 14,719.97 lacs (Previous year Rs. 15,555.36 lacs) for the year includes Rs. 61.25 lacs (Previous year Rs. 73.02 lacs) incurred towards total project management consultancy.

**Note 30: Disclosure pursuant to Accounting Standard 15 (revised 2005) on 'Employee Benefits'****a. Defined contribution plan**

The Company makes contribution towards provident fund to a defined contribution retirement benefit plan for qualifying employees. The Company's contribution to the Employees Provident Fund is deposited with the Regional Provident Fund Commissioner. Under the scheme, the Company is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits.

The Company recognised Rs.59.73 Lacs (Previous Year Rs. 54.98 Lacs) for Superannuation, provident fund and Employees' State Insurance contributions in the Statement of Profit and Loss. The contribution payable to the plan by the Company is at the rate specified in rules to the scheme.

**b. Defined benefit plan – Gratuity plan**

The gratuity liability arises on retirement, withdrawal, resignation and death of an employee. The aforesaid liability is calculated on the basis of fifteen days salary (i.e. last drawn basic salary) for each completed year of service subject to completion of five years service.

**c. Policy for recognising actuarial gains and losses**

Actuarial gains and losses arising from experience adjustments and effects of changes in actuarial assumptions are immediately recognised in the statement of profit and loss account as income or expense.

- d. The following tables set out the funded status of the gratuity plan and amounts recognised in the Company's financial statements as at 31 March, 2014:

(All amounts in Rs. /Lacs)

S. No.	Particulars	Year ended 31.03.2014	Year ended 31.03.2013
<b>i. Change in benefit obligations:</b>			
A	Present value of obligations at the beginning of year	71.43	58.28
B	Current service cost	11.37	11.02
C	Interest cost	5.71	5.01
D	Actuarial gain/(loss) on obligation	(5.65)	7.72
E	Benefits paid	(5.58)	(10.60)
F	<b>Present value of obligations at the end of the year</b> (F=A+B+C+D+E)	<b>77.28</b>	<b>71.43</b>
<b>ii. Change in plan assets:</b>			
A	Fair value of plan assets at the beginning of year	58.68	52.97
B	Actual return on plan assets	5.28	4.90
C	Employer's contributions	17.48	7.97
D	Benefits paid	(5.59)	(6.82)
E	Actuarial gain / (Loss)	0.38	(0.34)
F	<b>Plan assets at the end of the year</b> (F=A+B+C+D+E)	<b>76.23</b>	<b>58.68</b>
<b>iii. Net Liability (i-ii)</b>		<b>1.05</b>	<b>12.75</b>
<b>iv. I. Expenses recognised in the Statement of Profit and Loss:</b>			
A	Current service cost	11.37	11.02
B	Interest cost	5.71	5.01
C	Expected return/(loss) on plan assets	(5.28)	(4.90)
D	Actuarial gain recognised during the year	(6.03)	8.06
E	<b>Net charge/(credit)</b> (E=A+B+C+D)	<b>5.77</b>	<b>19.19</b>

**v. Additional Information:**

	2014	2013	2012	2011	2010	2009
Present Value of benefit obligations	77.28	71.43	58.28	56.84	37.01	25.61
Fair Value of Plan Asset	76.23	58.68	52.97	46.89	27.38	17.21
Excess of (obligation over plan asset)/ Plan asset over obligation	1.05	12.75	5.31	9.96	9.63	8.40

**vi. Experience Adjustment:**

On Plan Liability	(5.06)	(5.37)	2.42	(20.52)	(5.87)	(2.38)
On Plan Assets	0.38	(0.34)	(0.22)	0.01	(0.16)	0.03

**vii. Principal actuarial assumptions:**

S.No.	Particulars	Refer note below	Year ended 31.03.2014	Year ended 31.03.2013
i	Discount rate (p.a.)	1	9.10%	8.00%
ii	Rate of return on assets (p.a.)	2	9.25%	9.00%
iii	Salary escalation rate (p.a.)	3	10.00%	12.00%

**Notes:**

- The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.
- The expected return is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.
- The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

**Demographic assumptions:**

- Retirement age 60 years
- Mortality rate Indian Assured Lives Mortality (2006-08)

**e. Actuarial assumptions for long –term compensated absences****i. Principal actuarial assumptions:**

S. No.	Particulars	Refer note below	Year ended 31.03.2014	Year ended 31.03.2013
i.	Discount rate (p.a.)	1	9.10%	8.00%
ii.	Salary escalation rate (p.a.)	2	10.00%	12.00%

**Notes:**

- The discount rate is based on the prevailing market yields of Indian Government securities as at the balance sheet date for the estimated term of obligations.
- The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

**Note 31: Contingent liabilities and commitments**

Particulars	As at 31.03.2014 Rs./lacs	As at 31.03.2013 Rs./lacs
Claims against the Company not acknowledged as debt*		
- Disputed demands raised by sales tax authorities	2,497.74	2,497.74
- others	75.14	77.56
Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for	148.94	78.04

\*No provision is considered necessary since the Company expects favorable decisions.

**Note 32: Value of imports on CIF basis**

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Purchase of stores and spares	–	142.07

**Note 33: Expenditure incurred in foreign currency**

Particulars	Year ended 31.03.2014 (Rs./Lacs)	Year ended 31.03.2013 (Rs./Lacs)
Other borrowing cost	5.97	5.52

**Note 34: Related Party Disclosures****a. List of related parties**

- i. Holding Company
  - The Tata Power Company Limited (TPCL)
- ii. Company Exercising Significant Influence
  - Powergrid Corporation of India Limited (PGCIL)
- iii. Fellow Subsidiary
  - Industrial Energy Limited (IEL)
  - Tata Projects Limited
- iv. Subsidiary of Company Exercising Significant Influence
  - Power System Operation Corporation Limited (POSOCO)
- v. Key Management Personnel (KMP)
  - Sh. Arvind Singh - Executive Director & CEO

**b. Transactions/balances outstanding with Related Parties***(All amounts are in Rs. /Lacs)*

S. No.	Particulars	Holding Company	Company Exercising Significant Influence	Fellow Subsidiary	Subsidiary of Company Exercising Significant Influence	Key Management Personnel (KMP)
<b>Transactions during the period:</b>						
1	Revenue from operations	44.14 (24.77)	25,376.88 (24,303.38)	- (-)	- (-)	- (-)
2	System operation charges	- (-)	0.58 (-)	- (-)	37.89 (39.31)	- (-)
3	Unified load despatch charges	- (-)	136.54 (-)	- (-)	- (-)	- (-)
4	Interest exp. on borrowings The Tata Power Company Limited	9.10 (-)	- (-)	- (-)	- (-)	- (-)
	Industrial Energy Limited	- (-)	- (-)	- (3.43)	- (-)	- (-)
5	Dividend	5,370.30 (5,012.28)	5,159.70 (4,815.72)	- (-)	- (-)	- (-)
6	Repairs and maintenance -Plant and machinery	- (-)	80.84 (257.56)	- (-)	- (-)	- (-)

*(All amounts are in Rs. /Lacs)*

S. No.	Particulars	Holding Company	Company Exercising Significant Influence	Fellow Subsidiary	Subsidiary of Company Exercising Significant Influence	Key Management Personnel (KMP)
7	Managerial Remuneration: Arvind Singh	- (-)	- (-)	- (-)	- (-)	62.33 (60.11)
8	Reimbursement of expenses by the Company					
	The Tata Power Company Limited	2.07 (0.24)	- (-)	- (-)	- (-)	- (-)
	Power Grid Corporation of India Limited	- (-)	15.40 (14.73)	- (-)	- (-)	- (-)
	Tata Projects Limited	- (-)	- (-)	- (11.65)	- (-)	- (-)
9	Reimbursement of expenses to the Company					
	The Tata Power Company Limited	2.41 (0.22)	- (-)	- (-)	- (-)	- (-)
	Power Grid Corporation of India Limited	- (-)	230.47 (91.33)	- (-)	- (-)	- (-)
10	Rebate on transmission charges	- (-)	221.10 (136.61)	- (-)	- (-)	- (-)
11	Inter corporate deposit repaid	4,100.00 (-)	- (-)	- (-)	- (-)	- (-)
<b>Balances outstanding as at the year end:</b>						
12	Recoverable system operation charges	- (-)	71.19 (217.73)	- (-)	- (-)	- (-)
13	Recoverable Unified load despatch charges	- (-)	136.54 (-)	- (-)	- (-)	- (-)
14	Capital advances	- (-)	277.76 (277.76)	- (-)	- (-)	- (-)
15	Trade receivable	- (1.54)	2,081.88 (2,895.82)	- (-)	- (-)	- (-)
16	Unbilled revenue	4.91 (-)	2,236.06 (2,272.12)	- (-)	- (-)	- (-)
17	Advance from customers	- (-)	1,276.65 (931.42)	- (-)	- (-)	- (-)
18	Trade payables	- (-)	1.11 (-)	- (-)	2.98 (3.18)	- (-)
19	Inter corporate deposit from related parties	- (4,100.00)	- (-)	- (-)	- (-)	- (-)

**Notes:**

- i. Figures in brackets pertain to the previous year.
- ii. As per Central Electricity Regulatory Commission (Sharing of Inter- State Transmission charges and Losses) Regulation 2010, the Company has entered into Transmission Service Agreement (TSA) and Revenue Sharing Agreements (RSA) with Powergrid Corporation of India Limited 'Powergrid' being the Central Transmission Utility (CTU) under the Regulation. Pursuant to the agreements, the billing, collection and disbursement of transmission charges are being handled by the CTU on behalf of the Company being an Interstate Transmission System (ISTS) licensee. Accordingly, the transactions of the Company with Powergrid, in the capacity of CTU, has been disclosed under Related Party Transactions.

**Note 35: Segmental reporting**

The Company is engaged in the business of operating and maintaining transmission lines and related operations, primarily in India. As the Company operates in a single business and geographical segment, the reporting requirements for primary and secondary segment disclosure prescribed by paragraphs 39 to 51 of Accounting Standard 17-segment reporting have not been provided in these financial statements.

**Note 36: Earnings per share**

Basic earnings per equity share have been computed by dividing net profit after tax after appropriation by the weighted average number of equity shares outstanding for the year.

S. No.	Particulars	Units	Year ended 31.03.2014	Year ended 31.03.2013
a	Net profit after tax	Rs. / lacs	11,290.40	11,907.59
b	Weighted average of number of equity shares used in computing basic earnings per share	No. of shares	468,000,000	468,000,000
c	Basic earnings per share (a/b)	Rs./share	2.41	2.54

**Note 37: Disclosures as per Micro, Small and Medium Enterprises Development Act, 2006 (MSMED)**

Based on the information available with the Company, the balance due to micro and small enterprises as defined under the Micro, Medium and Small Enterprises Development (MSMED) Act, 2006 is Rs. Nil(Previous year Rs. Nil)and no interest has been paid or is payable during the year under the terms of the MSMED Act, 2006. The information provided by the Company has been relied upon by the auditors.

**Note 38: Previous year's figures**

Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosures.

**For and on behalf of the Board**

**R. N. Nayak**  
Chairman

**Suranjit Mishra**  
Chief- Finance & Accounts

Place: Gurgaon  
Date: 8th May, 2014

**Arvind Singh**  
Executive Director & CEO

**Monica Mehra**  
Company Secretary

## Report on Corporate Governance

### 1.0 Company's philosophy on Corporate Governance

The Company is committed to maintain the highest standards of Corporate Governance in its dealings with its various stakeholders. It is an integral part of the Company's core values which includes transparency, integrity, honesty and accountability.

The Company follows the philosophy of working towards the creation of wealth by enhancing the value for Stakeholders, meeting the needs of Customers and Employees and the Community at large.

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

### 2.0 Board of Directors

**Composition:**

The Board of Directors (the Board) at present has nine members, out of whom, one is Executive Director & CEO and eight are Non-Executive Directors. They bring in a wide range of skills and experience to the Board. The Company has a Non-Executive Chairman.

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees, across all the companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

The composition of the Board as on 31st March, 2014 was as under :

Name of the Director	Business Relationship	Category of Directorship	No. of other Director-Ships*	No. of other Committee Memberships**	
				Chairman	Member
Mr. R N Nayak	Chairman	Non Executive	10	-	-
Mr. S Padmanabhan	Director	Non Executive	10	2	5
Mr. I S Jha	Director	Non Executive	7	-	1
Mr. R T Agarwal	Director	Non Executive	5	1	2
Mr. Sanjeev Mehra	Director	Non Executive	1	-	-
Mr. Arun Kr. Srivastava	Director	Non Executive	2	-	1
Mr. Ravi P Singh	Director	Non Executive	5	-	1
Mr. Ajay Kapoor	Director	Non Executive	1	-	-
Mr. Arvind Singh	Executive Director & CEO	Executive	-	-	-

\*Directorship in Private Companies, Foreign Companies and associations are excluded. Also excludes mention of directorship in Powerlinks Transmission Ltd.

\*\*Represent Memberships/Chairmanships of Audit Committee and Shareholders'/Investors' Grievance Committee excluding committee positions in Powerlinks Transmission Ltd.

## 2.1 Changes in Board Composition during the year

There were no changes in the Board Composition during the year.

## 2.2 Number of Board Meetings, attendance at Board Meetings and previous Annual General Meeting

Name of the Director	No. of Board Meetings attended during the year 2013-14	12th Annual General Meeting held on 24th July 2013 – Attended
Mr. R N Nayak	5	Yes
Mr. S Padmanabhan	3	Yes
Mr. I S Jha	1	Yes
Mr. R T Agarwal	4	Yes
Mr. Sanjeev Mehra	5	Yes
Mr. Arun Kr. Srivastava	4	Yes
Mr. Ravi P Singh	2	Yes
Mr. Ajay Kapoor	4	Yes
Mr. Arvind Singh	5	Yes

Leave of absence was granted by the Board to the Directors who were absent at the respective Board Meeting(s).

## 2.3 Details of Board Meetings

Five Board Meetings were held during the financial year 2013-14 and the gap between two meetings did not exceed four months. The dates on which the Board meetings were held are as follows:

18th April 2013, 24th July 2013, 15th October 2013, 20th January 2014 and 19th March 2014.

## 3.0 Committee of Directors

### 3.1 Audit Committee

The Audit Committee has been constituted pursuant to the provisions of Section 292A of the Companies Act, 1956. The broad terms of reference, role and scope were given as per the provisions of the said Act.

The composition of the Audit Committee as on 31st March 2014 and details of meetings attended by the Directors are given below:

Name of the Director	Designation	No. of Meetings attended during the year 2013-14
Mr. S Padmanabhan	Chairman	3
Mr. R T Agarwal	Member	4
Mr. Arun Kr. Srivastava	Member	6
Mr. Ravi P Singh	Member	2
Mr. Ajay Kapoor	Member	5

The Audit Committee met 6 times during the year 2013-14. The dates on which the said meetings were held are as follows:

18th April 2013, 24th July 2013, 17th September 2013, 15th October 2013, 20th January 2014 and 19th March 2014.

The Executive Director & CEO and the Chief- Finance and Accounts also attended the meetings. The Statutory Auditors and Internal Auditors and Cost Auditor were invited to the meetings. The Company Secretary acted as the Secretary of the Committee.

The Chairman of the Audit Committee, Mr. S. Padmanabhan, was present at the Annual General Meeting held on 24th July, 2013.

### 3.2 Remuneration Committee

The broad terms of reference of the Committee includes recommending to the Board of Directors specific remuneration package for Executive Director & CEO.

The composition of the Remuneration Committee as on 31st March, 2014 and the details of meeting attended by the Directors are given below:

Name of the Director	Designation	No. of Meetings attended during the year 2013-14
Mr. R N Nayak	Chairman	1
Mr. S Padmanabhan	Member	1
Mr. Arun Kumar Srivastava	Member	1

All the above Directors are Non- Executive.

Remuneration Committee Meeting was held once during the year 2013-14 i.e., on 24th July 2013.

The Chairman of the Remuneration Committee, Mr. R N Nayak, was present at the Annual General Meeting held on 24th July, 2013.

**4.0 Details of remuneration for FY 2013-14:****Non-Executive Directors**

Name of the Director	Sitting Fees paid (Rs.)
Mr. R N Nayak	Nil
Mr. S Padmanabhan	Nil
Mr. I S Jha	Nil
Mr. R T Agarwal	Nil
Mr. Sanjeev Mehra	1,00,000/-
Mr. Arun Kr. Srivastava	1,40,000/-
Mr. Ravi P Singh	Nil
Mr. Ajay Kapoor	1,30,000/-

No sitting fee is paid to Mr. S Padmanabhan as per Tata Group policy as he is a whole-time Director of The Tata Power Company Ltd. (Holding Company). No payment of sitting fee is being made to the Directors nominated on the Board of the Company from Power Grid Corporation of India Ltd., being a Central Public Sector Undertaking.

**Executive Director & CEO**

Name	Salary & Allowances (Rs. Lakh)	Commission (Rs.Lakh)	Perquisite (Rs.Lakh)	Retirement Benefits* (Rs. Lakh)	Total (Rs. Lakh)
Mr. Arvind Singh Executive Director & CEO	37.68	17.64**	2.68	4.33	62.33

\*excluding contribution to Gratuity Fund and provision for leave encashment.

\*\*provisional

**5.0 General Body Meetings**

The last three years Annual General Meetings (AGMs) were held as under:

Financial year ended	Day & Date	Time	Venue
31 <sup>st</sup> March 2011	Wednesday 20th July, 2011	12.15 p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-110 016
31 <sup>st</sup> March 2012	Friday 27th July, 2012	4.00 p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-110 016
31 <sup>st</sup> March 2013	Wednesday 24th July, 2013	3.30 p.m.	B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi-110 016

All the special resolutions moved at the last AGM were passed unanimously on a show of hands by the Shareholders present at the meeting. None of the business required to be transacted at this AGM is proposed to be passed by postal ballot.

**6.0 General Shareholder Information**

**6.1.** The Annual General Meeting is scheduled to be held on Wednesday 25th June, 2014 at Conference Room, Power Grid Corporation of India Ltd, B-9, Qutab Institutional Area, Katwaria Sarai, New Delhi- 110016 at 3.00 p.m

**6.2.** Financial Calendar : April to March

**6.3.** Record Date: 20th June 2014

**6.4. Registrars and Transfer Agents:**

TSR Darashaw Limited  
6-10, Haji Moosa Patrawala Industrial Estate  
20, Dr E Moses Road (Near Famous Studio)  
Mahalaxmi, Mumbai 400 011



**6.5 Shareholding Pattern as on 31st March, 2013**

Name of Shareholder	No. of Shares	% age shareholding (Approx)
The Tata Power Company Limited	23,86,79,997	51
Power Grid Corporation of India Limited	22,93,19,997	49
The Tata Power Company Limited & Individuals on jointly basis	3	-
Individuals of Power Grid Corporation of India Ltd.	3	-
<b>Total</b>	<b>46,80,00,000</b>	<b>100</b>

**6.6 Dematerialization of Shares as on 31st March, 2014**

The Company's shares are dematerialized with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CSDL). 46,79,99,994 Equity shares of the Company representing 99.99% of the Share Capital are dematerialized.

Under the depository systems, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE297G01011.

**6.7 Disclosure**

There were no materially significant related party transactions with its promoters, Directors or the management or relative of the Directors that they may have potential conflict with the interests of the Company. No infringement of any of the provisions of the law and regulations has been committed by the Company.

**6.8 Address for Correspondence:**

Company Secretary  
Powerlinks Transmission Limited  
10th Floor, DLF Tower A,  
District Centre Jasola  
New Delhi – 110025  
Tel: (011) 45159500  
Fax: (011) 45159555  
Email: powerlinks@powerlinks.co.in  
**Website : www.powerlinks.co.in**  
**CIN: U40105DL2001PLC110714**